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

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2015

or

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

Commission File Number 001-35958

DIGITAL TURBINE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**22-2267658** **(I.R.S. Employer Identification No.)**
1300 Guadalupe Street Suite # 302 **Austin TX** **(Address of Principal Executive Offices)**	**78701** **(Zip Code)**

(512) 387-7717

(Issuer's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, Par Value $0.0001 Per Share	**The Nasdaq Stock Market LLC** **(NASDAQ Capital Market)**
(Title of Class)	**(Name of Each Exchange on Which Registered)**

Securities registered under Section 12(g) of the Exchange Act:

None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 definitions of a "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One)

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 ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on the Nasdaq Capital Market on September 30, 2014 was $143,694,939.

As of June 10, 2015, the Company had 57,165,443 shares of its common stock, $0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the fiscal year ended March 31, 2015 are incorporated by reference in Part III of this Report on Form 10-K. The Proxy Statement (or a Form 10-K/A) will be filed by the Registrant with the Securities and Exchange Commission not later than 120 days after the end of the Registrant's fiscal year ended March 31, 2015.

Digital Turbine, Inc.

ANNUAL REPORT ON FORM 10-K
FOR THE PERIOD ENDED MARCH 31, 2015

TABLE OF CONTENTS

PART I

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Information included in this Annual Report on Form 10-K (the "Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts included in this Form 10-K regarding our strategy, future operations, future financial position, projected expenses, prospects and plans and objectives of management are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from our future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "future," "plan," or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including, but not limited to, a decline in general economic conditions nationally and internationally; decreased demand for our products and services; market acceptance of our products; the ability to protect our intellectual property rights; impact of any litigation or infringement actions brought against us; competition from other providers and products; risks and costs in product development; the potential for unforeseen or underestimated cash requirements or liabilities; risks intrinsic to dispositions such as successor liability claims; the impact of currency exchange rate fluctuations on our reported GAAP financial statements; the Company's ability as a smaller company to manage international operations; the Company's ability given the Company's limited resources to identify and consummate acquisitions; varying and often unpredictable levels of orders; the challenges inherent in technology development necessary to maintain the Company's competitive advantage such as adherence to release schedules and the costs and time required for finalization and market penetration; inability to raise capital to fund continuing operations; changes in government regulation; the outcome of our plans for future operations and growth; successful integration of acquired businesses; challenges in converting discussions with carriers into contractual relationships and deploying our key products within large enterprises such as major carriers in a timely manner; rapid and complex changes occurring in the mobile marketplace; pricing and other activities by competitors; and other risks described in the risk factors in Item 1A of this Form 10-K under the heading "Risk Factors." Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, our actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned. Except as required by applicable law, we do not undertake any obligation to update any forward-looking statements made in this Annual Report. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Unless the context otherwise indicates, the use of the terms "we," "our", "us", "Digital Turbine", "DT", or the "Company" refer to the collective business and operations of Digital Turbine, Inc. through its operating and wholly-owned subsidiaries, Digital Turbine USA, Inc. ("DT USA"), Digital Turbine (EMEA) Ltd. ("DT EMEA"), Digital Turbine Australia Pty Ltd ("DT APAC"), Digital Turbine Singapore Pte. Ltd. ("DT Singapore"), Digital Turbine Luxembourg S.a.r.l. ("DT Luxembourg"), Digital Turbine Germany, GmbH ("DT Germany"), and Digital Turbine Media, Inc. ("DT Media"). We refer to Appia, Inc., a company we acquired on March 6, 2015, as "Appia" or "DT Media."

ITEM 1. BUSINESS

Current Operations

Digital Turbine, through its subsidiaries, innovates at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, app advertisers, device OEMs and other third parties to enable them to effectively monetize mobile content and generate higher value user acquisition. The Company operates its business in two reportable segments – Advertising and Content.

The Company's Advertising business is comprised of products including:

- DT Ignite™, a mobile device management solution with targeted app distribution capabilities,
- DT IQ™, a customized user experience and app discovery tool,
- DT Media, an advertiser solution for unique and exclusive carrier and OEM inventory, and

- Appia Core, a leading worldwide mobile user acquisition network.

The Company's Content business is comprised of products including:

- DT Marketplace™, an application and content store, and

- DT Pay™, a content management and mobile payment solution.

With global headquarters in Austin, Texas and offices in Durham, North Carolina, Berlin, Singapore, Sydney and Tel Aviv, Digital Turbine's solutions are available worldwide.

Information about Segment and Geographic Revenue

In the fourth quarter of Fiscal 2015, the Company made certain segment realignments in order to conform to the way the Company manages segment performance. This realignment was driven primarily by the acquisition of Appia on March 6, 2015. The Company has recast prior period amounts to provide visibility and comparability. None of these changes impacts the Company's previously reported consolidated net revenue, gross margin, operating income, net income, or earnings per share.

The Company manages its business in four operating segments: Ignite, IQ, Appia Core, and Content. The four operating segments have been aggregated into two reportable segments: Advertising and Content.

Information about segment and geographic revenue is set forth in Note 16 to our consolidated financial statements under Item 8 of this Annual Report.

Advertising

DT Ignite is a mobile application management software that is pre-installed on devices to enable mobile operators and OEMs to control, manage and monetize the applications on mobile devices. DT Ignite allows mobile operators to customize the out-of-the-box experience for customers and monetize their home screens via Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, and/or Cost-Per-Action or CPA arrangements with third party application developers. Applications can be installed silently or with notification, on first boot or later in the lifecycle of the device, allowing mobile operators and OEMs to participate in an advertising revenue stream. The Company has launched DT Ignite with mobile operators and OEMs in North America, Europe, Asia Pacific, India and Israel.

DT IQ enables app and content discovery, both organic and sponsored, in a variety of user interfaces. The core of the product suite is the DT IQ engine which provides application recommendations to the device end user. The DT IQ AppDeck product is centered around app discovery and is presented in a visual feed-based User Interface. The DT IQ App Drawer product organizes applications for device end users by category and provides contextual app recommendations. DT IQ Search is a User Experience and User Interface that enables device end users to search and discover content from various sources including social media, search engines, and applications. Monetization for DT IQ Search is through increased content sales while AppDeck and App Drawer monetize through the display of and or recommendation of applications via the CPI commercial model. DT IQ has been deployed with mobile operators across North America and Asia Pacific.

DT Media is an advertiser solution for unique and exclusive carrier and OEM home screen inventory.

Appia Core is a leading worldwide mobile user acquisition network. Its mobile user acquisition platform is a demand side platform, or DSP. This platform allows mobile advertisers to engage with the right customers for their applications at the right time to gain them as customers. Appia Core accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, mobile carriers and mediated relationships; as well as purchasing inventory through exchanges using real-time bidding ("RTB"). The advertising revenue generated by Appia Core's platform is shared with publishers according to contractual rates in the case of direct or mediated relationships. When inventory is accessed using RTB, Appia Core buys inventory at a rate determined by the marketplace. Since inception, Appia Core has delivered over 100 million app installs for hundreds of advertisers.

Content

DT Marketplace is currently one of the Company's primary revenue generating products. DT Marketplace can be sold as an application storefront that manages the retailing of mobile content including features such as merchandising, product placements, reporting, pricing, promotions, and distribution of digital goods. DT Marketplace also includes the distribution and licensing of content across multiple content categories including music, applications, wallpapers, eBooks, and games. DT Marketplace is deployed with many operators across multiple countries including Australia, Singapore, and Israel.

DT Pay is currently one of the Company's primary revenue generating products. DT Pay is an Application Programming Interface (API) that integrates billing infrastructure between mobile operators and content publishers to facilitate mobile commerce. Increasingly, mobile content publishers want to go directly to consumers to sell their content rather than sell through traditional distributors such as Google Play or the Apple Application Store. DT Pay allows publishers and carriers to monetize those applications by allowing the content to be billed directly to the consumer via carrier billing. DT Pay has been launched in Australia and Singapore.

Recent Developments

As a result of both the needs of the operators and the Company's desire to enhance and scale, the Company has pursued targeted acquisitions that may accelerate growth.

On October 9, 2014 the Company acquired certain intellectual property of Xyologic Mobile Analysis, GmbH (XYO), related to mobile application recommendation, search and discovery. The aggregate purchase price of XYO was US $2.5 million, paid in cash, subject to a twelve month holdback of US $375,000 which acts as partial security for potential future indemnification claims.

On March 6, 2015, the Company completed its acquisition of Appia, Inc., a leading worldwide mobile user acquisition network for approximately 19 million shares of stock. At closing, DT Media entered into a new amended and restated loan agreement with its senior lender, Silicon Valley Bank, as well as a securities purchase agreement with its subordinated lender, North Atlantic SBIC IV, L.P. ("North Atlantic") pursuant to which DT Media sold a senior secured debenture with a principal amount of $8 million (the "New Debenture") to North Atlantic. The New Debenture was issued in exchange for two debentures previously sold by DT Media to North Atlantic, which were cancelled. DT Media's obligations under the New Debenture are secured by all of DT Media's assets; additionally, Digital Turbine has guaranteed DT Media's obligations under the New Debenture, and pledged substantially all of its assets, including its intellectual property, to North Atlantic in support of the New Debenture. The New Debenture is subordinated to the Silicon Valley Bank Debt.

On June 11, 2015 (the "Closing Date"), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the "Borrower") and Silicon Valley Bank, a California corporation ("Bank") entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500,000 to $5,000,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement.

Competition

The distribution of applications, mobile advertising, development, distribution and sale of mobile products and services is a highly competitive business. We compete for end users primarily on the basis of positioning, brand, quality and price. We compete for wireless carriers placement based on these factors, as well as historical performance, technical know-how, perception of sales potential and relationships with licensors of brands and other intellectual property. We compete for content and brand licensors based on royalty and other economic terms, perceptions of development quality, porting abilities, speed of execution, distribution breadth and relationships with carriers. We compete for platform deployment contracts with other mobile platform companies. We also compete for experienced and talented employees.

Our primary competition for application and content distribution comes from the traditional application store businesses of Apple and Google, existing operator solutions built internally, as well as companies providing app install products and services as offered by Facebook, Twitter, Yahoo!, Pandora and other ad networks such as RocketFuel and Millennial Media. These companies can be both customers and publishers for Digital Turbines products, as well as competitors in certain cases. For the DT IQ product, there is some competition in the space by everything.me, Quixey, and Aviate, but our main competitors are OEM launchers and Android launchers, which allow customers to customize their handset. With DT Ignite, we compete with smaller competitors, such as IronSource, Wild Tangent, and Sweet Labs, but the more material competition is internally developed operator solutions and specific mobile application management solutions built in-house by OEMs and wireless operators. Some of our existing wireless operators could make a strategic decision to develop their own solutions rather than continue to use our DT IQ and DT Ignite products, which could be a material source of competition.

DT has internally developed solutions for top-tier mobile operators and content providers including device application management solutions, white label app and media stores, in-app payment solutions, application-based value added services, and mobile social music and TV offerings. DT Ignite is a patent pending mobile application management solution that enables operators and device OEMs to pre-install and manage applications from a single web interface. We see competitors in internally developed operator solutions and specific mobile application management solutions built individually by OEMs.

DT IQ is a recommendation server that provides organic and sponsored app-install recommendations. The DT IQ front-end has different User Experience and User Interfaces that enables different customers to search and discover content from various sources including social media, search engines, and applications. DT IQ app drawer organizes your applications for you by category as well as providing more traditional alphabetical and search based methods. DT IQ Search aggregates the multiple sources users search today and brings the results together in one easy to use UI. We compete in this product range with traditional search engines such as Google, Yahoo, Android and manufacturers to launcher applications such as everything.me.

Appia Core is a leading worldwide mobile user acquisition network. Its mobile user acquisition platform is a demand side platform, or DSP. This platform allows mobile advertisers to engage with the right customers for their applications at the right time to gain them as customers. Appia Core accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, carriers and mediated relationships. We compete in this product range with traditional mobile advertising networks to multimedia advertising companies seeking more efficient means to distribute content to end users including Facebook, Twitter, and Google, as well as in-house solutions used by companies who choose to coordinate mobile advertising across their own properties, such as Yahoo! Pandora, and other independent publishers.

DT Marketplace can be sold as an application storefront that manages the retailing of mobile content including features such as merchandizing, product placements, reporting, pricing, promotions, and distribution of digital goods. DT Marketplace also includes the distribution and licensing of content across multiple content categories including music, applications, wallpapers, eBooks, and games. Competitors in these two areas include Google Play and the Apple App store.

DT Pay is an Application Programming Interface (API) that integrates between mobile operators billing infrastructure and content publishers to facilitate mobile commerce. DT Pay allows the publishers and the operators to monetize those applications by allowing the content to be billed directly to the consumer via the operator bill. Some competitors to the DT pay product are Google Wallet, Bango and BilltoMobile.

Product Development

Our product development expenses consist primarily of salaries and benefits for employees working on campaign management, creating, developing, editing, programming, performing quality assurance, obtaining carrier certification and deploying our products across various mobile phone carriers and on our internal platforms. We devote substantial resources to the development, technology support, and quality assurance of our products. Total product development costs incurred for the years ended March 31, 2015 and 2014 was $7.9 million and $7.9 million, respectively. The amount spent on research and development activities for the years ended March 31, 2015 and 2014 was $0.7 million and $0.5 million, respectively.

Contracts with Customers

We have both exclusive and non-exclusive carrier and OEM agreements. Our agreements with advertisers and publishers are generally non-exclusive. Historically, our agreements with carriers for Content business have had terms of one or two years with automatic renewal provisions upon expiration of the initial term, absent a contrary notice from either party, but going forward terms in carrier agreements may vary. Our carrier and OEM agreements for our Advertising business are multi-year agreements, with terms that are longer than one to two years. In addition, some carrier agreements provide that the carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights and we indemnify the carrier for any breach of a third party's intellectual property. In addition, with regard to our Content products many of our agreements allow the carrier to set the retail price without adjustment to the negotiated revenue split. If one of these carriers sets the retail price below historic pricing models, or rejects the content we provide, the total revenues received from these carriers will be significantly reduced. In our Content business most of our sales are made directly to large national mobile phone carriers. In our Advertising business most of our sales are made either directly to application developers, advertising agencies representing application developers or through advertising aggregators.

In our Advertising business, we generally have numerous advertisers who represent a significant level of business. Coupled with advertiser concentration, we distribute a significant level of advertising through one operator. If such advertising clients or this operator decided to materially reduce or discontinue its use of its platform, it could cause an immediate and significant decline in our revenue and negatively affect our results of operations and financial condition.

In our Content business, one major operator customer and another operator customer accounted for 50.6% and 11.1%, respectively, of our gross revenues during the twelve-month period ended March 31, 2015 and these two operator customers and one other operator customer accounted for 45.8%, 22.2%, and 10.5% of our gross revenues during the twelve-month period ended March 31, 2014.

Business Seasonality

Our revenue, cash flow from operations, operating results and other key operating and financial measures may vary from quarter to quarter due to the seasonal nature of advertiser spending. For example, many advertisers (and their agencies) devote a disproportionate amount of their budgets to the fourth quarter of the calendar year to coincide with increased holiday spending. We expect our revenue, cash flow, operating results and other key operating and financial measures to fluctuate based on seasonal factors from period to period and expect these measures to be generally higher in the third and fourth fiscal quarters than in prior quarters.

Employees

As of March 31, 2015, the Company, including its subsidiaries, had 157 employees, 154 of whom were full-time and 3 of whom were part-time. We consider our relationships with our employees to be satisfactory. As of March 31, 2015, none of our employees are covered by a collective bargaining agreement. The Company also uses a number of contractors on an as needed basis.

History of Digital Turbine, Inc.

The Company was originally incorporated in the State of Delaware on November 6, 1998 under the initial name eB2B Commerce, Inc.

From 1998 to 2015, the Company has operated under several different company names including; eB2B, Mediavest, Inc., Mandalay Media, Inc., NeuMedia, Inc., and Mandalay Digital Group, Inc.

On October 27, 2004, and as amended on December 17, 2004, the Company filed a plan for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Plan of Reorganization"). The Plan of Reorganization was completed on January 26, 2005. Through January 26, 2005, the Company and its subsidiaries were engaged in providing business-to-business transaction management services designed to simplify trading between buyers and suppliers.

From 2005 to February 12, 2008, the Company was a public shell company with no operations, and was controlled by its significant stockholder, Trinad Capital Master Fund, L.P.

From February 12, 2008 to October 23, 2008, the Company's sole operations were those of its wholly-owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox"). On February 13, 2014, the Company disposed of the Twistbox subsidiary and as such, it is no longer reflected as part of our continuing operations in this Report.

In December 2011, the Company, through its wholly owned subsidiary Digital Turbine USA, Inc., purchased the assets of Digital Turbine LLC. The Company subsequently re-branded the assets as “DT IQ”.

On August 15, 2012, the Company amended its charter with the state of Delaware to increase the total number of shares of common stock of the Company to 200,000,000 and the total number of shares of preferred stock of the Company to 2,000,000.

On September 13, 2012, the Company completed an acquisition of 100% of the issued and outstanding share capital of three operating subsidiaries of Logia Group Ltd (“Sellers”) (Logia Content Development and Management Ltd. (“Logia Content”), Volas Entertainment Ltd. (“Volas”) and Mail Bit Logia (2008) Ltd. (“Mail Bit”), (collectively, the “Targets”)). In addition, the Company, by assignment to the acquisition entity, DT EMEA acquired the assets of LogiaDeck Ltd (an affiliate of the Seller, “LogiaDeck”), comprised of the “LogiaDeck” software, which the Company has rebranded “DT Ignite”, and certain operator and other contracts related to the business of the Targets that were originally entered into by the Sellers. Pursuant to the Logia purchase agreement, the Company purchased 23% of the outstanding shares of the Targets and DT EMEA purchased 77% of such shares. On November 7, 2012, the Company contributed all of its shares of the Targets to DT EMEA pursuant to a Contribution Agreement among the Company, DT USA and DT EMEA.

On March 28, and April 9, 2013, the Company filed a Certificate of Amendment and Certificate of Correction of Certificate of Amendment of its Certificate of Incorporation (the “Certificate of Amendment”), with the Secretary of State of the State of Delaware, to effect a 1-for-5 reverse stock split of the Company’s common stock (the “Reverse Stock Split”). As a result of the Reverse Stock Split, every five (5) shares of our pre-Reverse Stock Split common stock were combined and reclassified into one (1) share of our common stock. Our post-Reverse Stock Split common stock began trading on April 15, 2013 with a new CUSIP number of 562562-207. The Reverse Stock Split did not change the authorized number of shares or the par value of our common stock.

On April 12, 2013, the Company, through its indirect, wholly-owned subsidiary organized under the laws of Australia, Digital Turbine Group Pty Ltd (“DT APAC”), acquired Mirror Image International Holdings Pty Ltd (“MIAH”).

On October 9, 2014, the Company acquired certain intellectual property assets of Xyologic Mobile Analysis, GmbH, through its Luxembourg subsidiary, DT Luxembourg.

On January 13, 2015, the Company changed its name from Mandalay Digital Group, Inc. to Digital Turbine, Inc.

On January 20, 2015, the Company changed its NASDAQ ticker symbol from “MNDL” to “APPS”, with a new CUSIP number of 25400W-102.

On March 6, 2015, the Company completed the acquisition of Appia, Inc. Appia was acquired into the Company’s wholly-owned subsidiary DTM Merger Sub, Inc., which was renamed to Digital Turbine Media, Inc. and referred to in this Form 10-K and the consolidated financial statements as DT Media or as Appia.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. Current investors and potential investors should consider carefully the risks and uncertainties described below together with all other information contained in this Form 10-K before making investment decisions with respect to our common stock. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company’s actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. If any of the following risks actually occurs, our business, financial condition, results of operations and our future growth prospects would be materially and adversely affected. Under these circumstances, the trading price and value of our common stock could decline, resulting in a loss of all or part of your investment. The risks and uncertainties described in this Form 10-K are not the only ones facing us. Additional risks and uncertainties of which we are not presently aware, or that we currently consider immaterial, may also affect our business operations.

Past financial performance should not be considered to be a reliable indicator of future performance, and current and potential investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business

General Risks

The Company has a history of net losses, may incur substantial net losses in the future, and may not achieve profitability.

We expect to continue to increase expenses as we implement initiatives designed to continue to grow our business, including, among other things, the development and marketing of new products and services, further international and domestic expansion, expansion of our infrastructure, development of systems and processes, acquisition of content, and general and administrative expenses associated with being a public company. If our revenues do not increase to offset these expected increases in operating expenses, we will continue to incur significant losses and will not become profitable. Our revenue growth in past periods should not be considered indicative of our future performance. In fact, in future periods, our revenues could decline as they have in recent years. Accordingly, we may not be able to achieve profitability in the future.

If there are delays in the distribution of our products or if we are unable to successfully negotiate with advertisers, application developers, carriers or mobile operators or if these negotiations cannot occur on a timely basis, we may not be able to generate revenues sufficient to meet the needs of the business in the foreseeable future or at all.

We have a limited operating history for our current portfolio of assets, which may make it difficult to evaluate our business.

We have only owned the IQ intellectual property and Content business since September 13, 2012 and April 12, 2012, respectively. Additionally, the Company recently completed the acquisition of Appia on March 6, 2015. While Appia has a longer operating history, integration with the other Company portfolio products has a limited history of generating revenues, and the future revenue potential of our business in the market is uncertain. As a result of recent carrier acceptance for some of our product offerings, our regional acquisitions and short operating history, we have limited financial data that can be used to evaluate our business. Any evaluation of our business and our prospects must be considered in light of our limited operating history and the risks and uncertainties encountered by companies in our stage of development. As an early stage company in the emerging mobile application and content entertainment industry, we face increased risks, uncertainties, expenses and difficulties. To address these risks and uncertainties, we must do the following:

- maintain our current, and develop new, wireless carrier and OEM relationships, in both international and domestic markets;
- maintain and expand our current, and develop new, relationships with compelling content owners;
- retain or improve our current revenue-sharing arrangements with carriers and content owners;
- continue to develop new high-quality products and services that achieve significant market acceptance;
- continue to develop and upgrade our technology;
- continue to enhance our information processing systems;
- increase the number of end users of our products and services;
- execute our business and marketing strategies successfully;
- respond to competitive developments; and
- attract, integrate, retain and motivate qualified personnel.

We may be unable to accomplish one or more of these objectives, which could cause our business to suffer. In addition, accomplishing many of these efforts might be very expensive, which could adversely impact our operating results and financial condition.

Our financial results could vary significantly from quarter to quarter and are difficult to predict.

Our revenues and operating results could vary significantly from quarter to quarter because of a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. In addition, we are not able to predict our future revenues or results of operations. We base our current and future expense levels on our internal operating plans and sales forecasts, and our operating costs are to a large extent fixed. As a result, we may not be able to reduce our costs sufficiently to compensate for an unexpected shortfall in revenues, and even a small shortfall in revenues could disproportionately and adversely affect financial results for that quarter. Individual products and services, and carrier relationships, represent meaningful portions of our revenues and margins in any quarter. In addition, some payments from carriers that we recognize as revenue on a cash basis may be delayed unpredictably.

In addition to other risk factors discussed in this section, factors that may contribute to the variability of our results include:

- the number of new products and services released by us and our competitors;
- the timing of release of new products and services by us and our competitors, particularly those that may represent a significant portion of revenues in a period;
- the popularity of new products and services, and products and services released in prior periods;
- changes in prominence of deck placement for our leading products and those of our competitors;
- the expiration of existing content licenses;
- the timing of charges related to impairments of goodwill, intangible assets, royalties and minimum guarantees;
- changes in pricing policies by us, our competitors or our carriers and other distributors;
- changes in the mix of original and licensed content, which have varying gross margins;
- changes in the mix of direct versus indirect CPI advertising sales, which have varying margin profiles;
- changes in the mix of CPI, CPP and CPA advertising sales, which have varying revenue profiles
- the seasonality of our industry;
- fluctuations in the size and rate of growth of overall consumer demand for mobile products and services and related content;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy;
- our success in entering new geographic markets;
- foreign exchange fluctuations;
- accounting rules governing recognition of revenue;
- general economic, political and market conditions and trends;
- the timing of compensation expense associated with equity compensation grants; and
- decisions by us to incur additional expenses, such as increases in marketing or research and development.

As a result of these and other factors, including seasonality attributable to the holiday seasons, our operating results may not meet the expectations of investors or public market analysts who choose to follow our company. Our failure to meet market expectations would likely result in decreases in the trading price of our common stock.

Placement of our products, or the failure of the market to accept our products, would likely adversely impact our revenues and thus our operating results and financial condition.

Wireless carriers provide a limited selection of products that are accessible to their subscribers through their mobile handsets. The inherent limitation on the volume of products available on the handset is a function of the screen size of handsets and carriers' perceptions of the depth of menus and numbers of choices end users will generally utilize. If carriers choose to give our products less favorable placement, our products may be less successful than we anticipate, our revenues may decline and our business, operating results and financial condition may be materially harmed. In addition, if carriers or other participants in the market favor another competitor's products over our products, or opt not to enable and implement technology like DT Ignite or DT IQ to unify operating systems, our future growth could suffer and our revenues could be negatively affected.

If we are unsuccessful in establishing and increasing awareness of our brand and recognition of our products and services or if we incur excessive expenses promoting and maintaining our brand or our products and services, our potential revenues could be limited, our costs could increase and our operating results and financial condition could be harmed.

We believe that establishing and maintaining our brand is critical to retaining and expanding our existing relationships with wireless carriers, content licensors, and mobile publishers as well as developing new relationships. Promotion of the Company's brands will depend on our success in providing high-quality products and services. Similarly, recognition of our products and services by end users will depend on our ability to develop engaging products and quality services to maintain existing, and attracts new, business relationships and end users. However, our success will also depend, in part, on the services and efforts of third parties, over which we have little or no control. For instance, if our carriers fail to provide high levels of service, our end users' ability to access our products and services may be interrupted, which may adversely affect our brand. If end users, branded content owners and carriers do not perceive our offerings as high-quality or if we introduce new products and services that are not favorably received by our end users and carriers, then we may be unsuccessful in building brand recognition and brand loyalty in the marketplace. In addition, globalizing and extending our brand and recognition of our products and services will be costly and will involve extensive management time to execute successfully. Further, the markets in which we operate are highly competitive and some of our competitors already have substantially more brand name recognition and greater marketing resources than we do. If we fail to increase brand awareness and consumer recognition of our products and services, our potential revenues could be limited, our costs could increase and our business, operating results and financial condition could suffer.

Our business is dependent on the continued growth in usage of smartphones, tablets and other mobile connected devices.

Our business depends on the continued proliferation of mobile connected devices, such as smartphones and tablets, which can connect to the internet over a cellular, wireless or other network, as well as the increased consumption of content through those devices. Consumer usage of these mobile connected devices may be inhibited for a number of reasons, such as:

- inadequate network infrastructure to support advanced features beyond just mobile web access;
- users' concerns about the security of these devices;
- inconsistent quality of cellular or wireless connection;
- unavailability of cost-effective, high-speed internet service; and
- changes in network carrier pricing plans that charge device users based on the amount of data consumed.

For any of these reasons, users of mobile connected devices may limit the amount of time they spend on these devices and the number of apps or amount of content they download on these devices. If user adoption of mobile connected devices and consumer consumption of content on those devices do not continue to grow, our total addressable market size may be significantly limited, which could compromise our ability to increase our revenue and our ability to become profitable.

If mobile connected devices, their operating systems or content distribution channels, including those controlled by our competitors, develop in ways that prevent advertising from being delivered to their users, our ability to grow our business will be impaired.

A portion of our business model depends upon the continued demand for mobile advertising on connected devices, as well as the major operating systems that run on them and the thousands of apps that are downloaded onto them.

The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also affect the ability of users to download applications or access specified content on mobile devices.

In some cases, the parties that control the development of mobile connected devices and operating systems include companies that we regard as our competitors. For example, Google controls the Android™ platform operating system. If our mobile software platform were unable to work on this operating systems, either because of technological constraints or because the developer of this operating systems wishes to impair our ability to provide ads on the operating system, our ability to generate revenue could be significantly harmed.

If we fail to deliver our products and services ahead of the commercial launch of new mobile handset models, our sales may suffer.

Our business is dependent, in part, on the commercial sale of smartphone handsets. We do not control the timing of these handset launches. Some new handsets are sold by carriers with certain of our products and applications pre-loaded, and many end users who use our services do so after they purchase their new handsets to experience the new features of those handsets. Some of our products require handset manufacturers give us access to their handsets prior to commercial release. If one or more major handset manufacturers were to cease to provide us access to new handset models prior to commercial release, we might be unable to introduce compatible versions of our products and services for those handsets in coordination with their commercial release, and we might not be able to make compatible versions for a substantial period following their commercial release. If, because of launch delays, we miss the opportunity to sell products and services when new handsets are shipped or our end users upgrade to a new handset, or if we miss the key holiday selling period, either because the introduction of a new handset is delayed or we do not deploy our products and services in time for seasonal increases in handset sales, our revenues would likely decline and our business, operating results and financial condition would likely suffer.

We may be unable to develop and introduce in a timely way new products or services, and our products and services may have defects, which could harm our brand.

The planned timing and introduction of new products and services are subject to risks and uncertainties. Unexpected technical, operational, deployment, distribution or other problems could delay or prevent the introduction of new products and services, which could result in a loss of, or delay in, revenues or damage to our reputation and brand. If any of our products or services is introduced with defects, errors or failures, we could experience decreased sales, loss of end users, damage to our carrier relationships and damage to our reputation and brand. Our attractiveness to branded content licensors might also be reduced. In addition, new products and services may not achieve sufficient market acceptance to offset the costs of development, particularly when the introduction of a product or service is substantially later than a planned “day-and-date” launch, which could materially harm our business, operating results and financial condition.

If we fail to maintain and enhance our capabilities for our offerings to a broad array of mobile operating systems, our attractiveness to wireless carriers, application developers and branded content owners will be impaired, and our sales could suffer.

Changes to our design and development processes to address new features or functions of mobile operating systems or networks might cause inefficiencies that might result in more labor-intensive software integration processes. In addition, we anticipate that in the future we will be required to update existing and new products and applications to a broader array of mobile operating systems. If we utilize more labor intensive processes, our margins could be significantly reduced and it might take us longer to integrate our products and applications to additional mobile operating systems. This, in turn, could harm our business, operating results and financial condition.

A majority of our revenues are currently being derived from a limited number of wireless carriers, advertisers and application developers, if any one of these customers were unable to fulfill its payment obligations, our financial condition and results of operations would suffer.

If any of our primary customers are unable to fulfill their payment obligations to us under our agreements with them, our revenues could decline significantly and our financial condition will be harmed.

We may be subject to legal liability associated with providing mobile and online services or content.

We provide a variety of products and services that enable carriers, content providers and users to engage in various mobile and online activities both domestically and internationally. The law relating to the liability of providers of these mobile and online services and products for such activities is still unsettled and constantly evolving in the U.S. and internationally. Claims have been threatened and have been brought against us for breaches of contract, copyright or trademark infringement, tort or other theories based on the provision of these products and services. In addition, we are and have been and may again in the future be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates laws in domestic and international jurisdictions. We also arrange for the distribution of third-party advertisements to third-party publishers and advertising networks, and we offer third-party products, services, or content. We may be subject to claims concerning these products, services, or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, own, or license these products, services, or content. While we routinely insert indemnification provisions into our contracts with these parties, such indemnities to us, when obtainable, may not cover all damages and losses suffered by us and our customers from covered products and services. In addition, recorded reserves and/or insurance coverage may be exceeded by unexpected results from such claims which directly impacts profits. Defending such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

Our business is dependent on our ability to maintain and scale our infrastructure, including our employees and 3rd parties; and any significant disruption in our service could damage our reputation, result in a potential loss of customers and adversely affect our financial results.

Our reputation and ability to attract, retain, and serve customers is dependent upon the reliable performance of our products and services and the underlying infrastructure, both internal and from third party providers. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our products and services are unavailable, or if they do not load as quickly as expected, customers may not use our products as often in the future, or at all. As our customer base is anticipated to continue to grow, we will need an increasing amount of infrastructure, including network capacity, to continue to satisfy the needs of our customers. It is possible that we may fail to effectively scale and grow our infrastructure to accommodate these increased demands. In addition, our business may be subject to interruptions, delays, or failures resulting from earthquakes, adverse weather conditions, other natural disasters, power loss, terrorism, or other catastrophic events.

A substantial portion of our network infrastructure is provided by third parties. Any disruption or failure in the services we receive from these providers could harm our ability to handle existing or increased traffic and could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

Our products, services and systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our products, services and systems rely on software, including software developed or maintained internally and/or by third parties, that is highly technical and complex. In addition, our products, services and systems depend on the ability of such software to transfer, store, retrieve, process, and manage large amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for customers and marketers who use our products, delay product introductions or enhancements, result in measurement or billing errors, or compromise our ability to protect the data of our users and/or our intellectual property. Any errors, bugs, or defects discovered in the software on which we rely could result in damage to our reputation, loss of users, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

We plan to continue to review opportunities and possibly make acquisitions, which could require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial condition and results of operations.

As part of our business strategy, we have made and intend to continue to review opportunities and possibly make acquisitions to add specialized employees and complementary companies, products, technologies or distribution channels. In some cases, these acquisitions may be substantial and our ability to acquire and integrate such companies in a successful manner is unproven.

Any acquisitions we announce could be viewed negatively by mobile network operators, users, marketers, developers, or investors. In addition, we may not successfully evaluate, integrate, or utilize the products, technology, operations, or personnel we acquire. The integration of acquisitions may require significant time and resources, and we may not manage these integrations successfully. In addition, we may discover liabilities or deficiencies that we did not identify in advance associated with the companies or assets we acquire. The effectiveness of our due diligence with respect to acquisitions, and our ability to evaluate the results of such due diligence, is dependent upon the accuracy and completeness of statements and disclosures made or actions taken by the companies we acquire or their representatives. We may also fail to accurately forecast the financial impact of an acquisition transaction, including accounting charges. In the future, we may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all.

We may also incur substantial costs in making acquisitions. We may pay substantial amounts of cash or incur debt to pay for acquisitions, which could adversely affect our liquidity. The incurrence of indebtedness would also result in increased fixed obligations, interest expense, and could also include covenants or other restrictions that would impede our ability to manage our operations. Additionally, we may issue equity securities to pay for acquisitions or to retain the employees of the acquired company, which could increase our expenses, adversely affect our financial results, and result in dilution to our stockholders. In addition, acquisitions may result in our recording of substantial amortizable intangible assets on our balance sheet upon closing, which could adversely affect our future financial results and financial condition. These factors related to acquisitions may require significant management attention, disrupt our business, result in dilution to our stockholders, and adversely affect our financial results and financial condition.

The Company has secured indebtedness, which could limit its financial flexibility.

The Company’s secured indebtedness could have significant negative consequences including:

- increasing the Company’s vulnerability to general adverse economic and industry conditions;
- limiting the Company’s ability to obtain additional financing;
- requiring the use of a substantial portion of any cash flow from operations to service indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;
- limiting the Company’s flexibility in planning for, or reacting to, changes in the Company’s business and the industry in which it competes, including by virtue of the requirement that the Company remain in compliance with certain negative operating covenants included in the credit arrangements under which the Company will be obligated; and
- placing the Company at a possible competitive disadvantage to less leveraged competitors that are larger and may have better access to capital resources.

Although we currently intend to refinance the indebtedness as soon as practicable, we cannot provide any assurance that we will be successful or that we will be able to refinance the debt on acceptable terms.

The Company’s business is highly dependent on decisions and developments in the mobile device industry over which the Company has no control.

The Company’s ability to maintain and grow its business will be impaired if mobile connected devices, their operating systems or content distribution channels, including those controlled by the primary competitors of the Company, develop in ways that prevent the Company’s advertising from being delivered to their users.

The Company’s business model will depend upon the continued compatibility of its mobile advertising platform with most mobile connected devices, as well as the major operating systems that run on them and the thousands of apps that are downloaded onto them.

The design of mobile devices and operating systems is controlled by third parties. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers, such as AT&T, Sprint, as well as other domestic and global operators, may also affect the ability of users to download apps or access specified content on mobile devices. The Company will have some relationship with T-Mobile and Verizon but these relationships are specific and subject to contractual performance which may not be achieved.

In some cases, the parties that control the development of mobile connected devices and operating systems include companies that the Company would regard as its most significant competitors. For example, Apple controls two of the most popular mobile devices, the iPhone® and the iPad®, as well as the iOS operating system that runs on them. Apple also controls the App Store for downloading apps that run on Apple® mobile devices. Similarly, Google controls the Google Play and Android™ platform operating system. If the Company's mobile advertising platform were unable to work on these devices or operating systems, either because of technological constraints or because a maker of these devices or developer of these operating systems wished to impair the Company's ability to provide ads on them or its ability to fulfill advertising space, or inventory, from developers whose apps are distributed through their controlled channels, the Company's ability to maintain and grow its business will be impaired.

The Company's business may depend in part on its ability to collect and use location-based information about mobile connected device users.

The Company's business model will depend in part upon its ability to collect data about the location of mobile connected device users when they are interacting with their devices, and then to use that information to provide effective targeted advertising on behalf of its advertising clients. The Company's ability to either collect or use location-based data could be restricted by a number of factors, including new laws or regulations, technology or consumer choice. Limitations on its ability to either collect or use location data could impact the effectiveness of the Company's platform and its ability to target ads.

The Company does not have long-term agreements with its advertiser clients, and it may be unable to retain key clients, attract new clients or replace departing clients with clients that can provide comparable revenue to the Company.

The Company's success will depend on its ability to maintain and expand its current advertiser client relationships and to develop new relationships. The Company's contracts with its advertiser clients does not generally include long-term obligations requiring them to purchase the Company's services and are cancelable upon short or no notice and without penalty. As a result, the Company may have limited visibility as to its future advertising revenue streams. The Company will not be able to provide assurance that its advertiser clients will continue to use its services or that it will be able to replace, in a timely or effective manner, departing clients with new clients that generate comparable revenue. If a major advertising client representing a significant portion of the Company's business decides to materially reduce its use of the Company's platform or to cease using the Company's platform altogether, it is possible that the Company may not have a sufficient supply of ads to fill its developers' advertising inventory, in which case the Company's revenue could be significantly reduced. Revenue derived from performance advertisers in particular is subject to fluctuation and competitive pressures. Such advertisers, which seek to drive app downloads, are less consistent with respect to their spending volume, and may decide to substantially increase or decrease their use of the Company's platform based on seasonality or popularity of a particular app.

Advertisers in general may shift their business to a competitor's platform because of new or more compelling offerings, strategic relationships, technological developments, pricing and other financial considerations, or a variety of other reasons. Any non-renewal, renegotiation, cancellation or deferral of large advertising contracts, or a number of contracts that in the aggregate account for a significant amount of revenue, could cause an immediate and significant decline in the Company's revenue and harm its business.

The Company's business practices with respect to data could give rise to liabilities or reputational harm as a result of governmental regulation, legal requirements or industry standards relating to consumer privacy and data protection.

In the course of providing its services, the Company will transmit and store information related to mobile devices and the ads it places, which may include a device's geographic location for the purpose of delivering targeted location-based ads to the user of the device, with that user's consent. Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that the Company will collect across its mobile advertising platform. The Company will strive to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection. However, it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or its practices. Any failure, or perceived failure, by it to comply with U.S. federal, state, or international laws, including laws and regulations regulating privacy, data security, or consumer protection, could result in proceedings or actions against the Company by governmental entities or others. Any such proceedings could hurt the Company's reputation, force it to spend significant amounts in defense of these proceedings, distract its management, increase its costs of doing business, adversely affect the demand for its services and ultimately result in the imposition of monetary liability. The Company may also be contractually liable to indemnify and hold harmless its clients from the costs or consequences of inadvertent or unauthorized disclosure of data that it stores or handles as part of providing its services.

The regulatory framework for privacy issues worldwide is evolving, and various government and consumer agencies and public advocacy groups have called for new regulation and changes in industry practices, including some directed at the mobile industry in particular. For example, in early 2012, the State of California entered into an agreement with several major mobile app platforms under which the platforms have agreed to require mobile apps to meet specified standards to ensure consumer privacy. Subsequently, in January 2013, the State of California released a series of recommendations for privacy best practices for the mobile industry. In January 2014, a California law also became effective amending the required disclosures for online privacy policies. It is possible that new laws and regulations will be adopted in the United States and internationally, or existing laws and regulations may be interpreted in new ways, that would affect the Company's business, particularly with regard to location-based services, collection or use of data to target ads, and communication with consumers via mobile devices.

The U.S. government, including the Federal Trade Commission, or FTC, and the Department of Commerce, is focused on the need for greater regulation of the collection of consumer information, including regulation aimed at restricting some targeted advertising practices. In December 2012, the FTC adopted revisions to the Children's Online Privacy Protection Act, or COPPA, that went into effect on July 1, 2013. COPPA imposes a number of obligations on operators of websites and online services including mobile apps, such as obtaining parental consent, if the operator collects specified information from users and either the site or service is directed to children under 13 years old or the site or service knows that a specific user is a child under 13 years old. The changes broaden the applicability of COPPA, including the types of information that are subject to these regulations, and may apply to information that the Company will collect through mobile devices or apps that, prior to the adoption of these new regulations, was not subject to COPPA. These revisions will impose new compliance burdens on the Company. In February 2013, the FTC issued a staff report containing recommendations for best practices with respect to consumer privacy for the mobile industry. To the extent that the Company or its clients choose to adopt these recommendations, or other regulatory or industry requirements become applicable to the Company, it may have greater compliance burdens.

As the Company expands its operations globally, compliance with regulations that differ from country to country may also impose substantial burdens on its business. In particular, the European Union has traditionally taken a broader view as to what is considered personal information and has imposed greater obligations under data privacy regulations. In addition, individual EU member countries have had discretion with respect to their interpretation and implementation of the regulations, which has resulted in variation of privacy standards from country to country. Complying with any new regulatory requirements could force it to incur substantial costs or require us to change its business practices in a manner that could compromise its ability to effectively pursue its growth strategy.

The Company's business may involve the use, transmission and storage of confidential information, and the failure to properly safeguard such information could result in significant reputational harm and monetary damages.

The Company may at times collect, store and transmit information of, or on behalf of, its clients that may include certain types of confidential information that may be considered personal or sensitive, and that are subject to laws that apply to data breaches. The Company intends to take reasonable steps to protect the security, integrity and confidentiality of the information it collects and stores, but there is no guarantee that inadvertent or unauthorized disclosure will not occur or that third parties will not gain unauthorized access to this information despite the Company's efforts to protect this information. If such unauthorized disclosure or access does occur, the Company may be required to notify persons whose information was disclosed or accessed. Most states have enacted data breach notification laws and, in addition to federal laws that apply to certain types of information, such as financial information, federal legislation has been proposed that would establish broader federal obligations with respect to data breaches. The Company may also be subject to claims of breach of contract for such disclosure, investigation and penalties by regulatory authorities and potential claims by persons whose information was disclosed. The unauthorized disclosure of information may result in the termination of one or more of its commercial relationships or a reduction in client confidence and usage of its services. The Company may also be subject to litigation alleging the improper use, transmission or storage of confidential information, which could damage its reputation among its current and potential clients, require significant expenditures of capital and other resources and cause it to lose business and revenue.

Changes to current accounting principles could have a significant effect on the Company's reported financial results or the way in which it conducts its business.

We prepare our financial statements in conformity with U.S. GAAP, which are subject to interpretation by the Financial Accounting Standards Board, the American Institute of Certified Public Accountants, the SEC, and various other authorities formed to interpret, recommend, and announce appropriate accounting principles, policies, and practices. A change in these principles could have a significant effect on our reported financial results and may even retroactively affect the accounting for previously reported transactions. Our accounting policies that recently have been or may in the future be affected by changes in the accounting principles are as follows:

- revenue recognition;

- stock-based compensation;
- accounting for uncertain tax positions;
- accounting for goodwill and other intangible assets; and
- accounting issues related to certain features of contingent convertible debt instruments and their effect on diluted earnings per share.

Changes in these or other rules may have a significant adverse effect on our reported financial results or in the way in which we conduct our business. See the discussion in "Summary of Significant Accounting Policies" and the Notes to Unaudited Consolidated Financial Statements included therein, for additional information about our accounting policies and estimates and associated risks.

Loss or reduction of business from the Company's large advertiser clients could have a significant impact on the Company's revenues, results of operations and overall financial condition.

From time to time, a limited number of the Company's advertiser clients will be expected to account for a significant share of its advertising revenue. This customer concentration increases the risk of quarterly fluctuations in the Company's revenues and operating results. The Company's advertiser clients may reduce or terminate their business with it at any time for any reason, including changes in their financial condition or other business circumstances. If a large advertising client representing a substantial portion of its business decided to materially reduce or discontinue its use of its platform, it could cause an immediate and significant decline in its revenue and negatively affect its results of operations and financial condition.

The Company's customer concentration also increases the concentration of its accounts receivable and its exposure to payment defaults by key customers. The Company will generate significant accounts receivable for the services that it provides to its key advertiser clients, which could expose it to substantial and potentially unrecoverable costs if it does not receive payment from them.

System failures could significantly disrupt the Company's operations and cause it to lose advertiser clients or advertising inventory.

The Company's success will depend on the continuing and uninterrupted performance of its own internal systems, which the Company will utilize to place ads, monitor the performance of advertising campaigns and manage its inventory of advertising space. Its revenue will depend on the technological ability of its platforms to deliver ads. Sustained or repeated system failures that interrupt its ability to provide services to clients, including technological failures affecting its ability to deliver ads quickly and accurately and to process mobile device users' responses to ads, could significantly reduce the attractiveness of its services to advertisers and reduce its revenue. The combined systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious human acts and natural disasters. In addition, any steps the Company takes to increase the reliability and redundancy of its systems may be expensive and may not ultimately be successful in preventing system failures.

Activities of the Company's advertiser clients could damage the Company's reputation or give rise to legal claims against it.

The Company's advertiser clients' promotion of their products and services may not comply with federal, state and local laws, including, but not limited to, laws and regulations relating to mobile communications. Failure of its clients to comply with federal, state or local laws or its policies could damage its reputation and expose it to liability under these laws. The Company may also be liable to third parties for content in the ads it delivers if the artwork, text or other content involved violates copyrights, trademarks or other intellectual property rights of third parties or if the content is defamatory, unfair and deceptive, or otherwise in violation of applicable laws. Although the Company will generally receive assurance from its advertisers that their ads are lawful and that they have the right to use any copyrights, trademarks or other intellectual property included in an ad, and although it will normally be indemnified by the advertisers, a third party or regulatory authority may still file a claim against the Company. Any such claims could be costly and time-consuming to defend and could also hurt the Company's reputation. Further, if it is exposed to legal liability as a result of the activities of its advertiser clients, the Company could be required to pay substantial fines or penalties, redesign its business methods, discontinue some of its services or otherwise expend significant resources.

System security risks, data protection breaches, cyber attacks and systems integration issues could disrupt our internal operations or information technology services provided to customers, and any such disruption could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

Experienced computer programmers and hackers may be able to penetrate our network security and misappropriate or compromise our confidential information or that of third-parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms, and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. In addition, sophisticated hardware and operating system software and applications that we produce or procure from third-parties may contain defects in design or manufacture, including ‘‘bugs’’ and other problems that could unexpectedly interfere with the operation of the system. The costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and our efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales or other critical functions. We manage and store various proprietary information and sensitive or confidential data relating to our business. Breaches of our security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us, our clients or customers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us, our customers or the individuals affected to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business. In addition, the cost and operational consequences of implementing further data protection measures could be significant. Portions of our IT infrastructure also may experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time-consuming, disruptive and resource intensive. Such disruptions could adversely impact our ability to provide services and interrupt other processes. Delayed sales, lower margins, increased cost, or lost customers resulting from these disruptions could reduce our expected revenue, increase our expenses, damage our reputation and adversely affect our stock price.

If our goodwill or amortizable intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, such as a decline in stock price and market capitalization. We test goodwill for impairment at least annually. If such goodwill or intangible assets are deemed impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which would negatively affect our results of operations.

Advertising and Content Risks

Our revenues may fluctuate significantly based on mobile device sell-through, over which we have no control.

A significant portion of our revenue is impacted by the level of sell-through of mobile devices on which our software is installed. Demand for mobile devices sold by carriers varies materially by device, and if our software is installed on devices for which demand is lower than our expectations --a factor over which we have no control as we do not market mobile devices --our revenues will be impacted negatively, and this impact may be significant. As our software is deployed on a diversified universe of devices, this risk will be mitigated, as the relative performance of one device over another device will have less impact on us, but until we achieve diversification in our device installations, we will continue to be subject to revenue fluctuations based on device sell-through, and such fluctuations can be material. Further, it is difficult to predict the level of demand for a particular device, making our revenue projections correspondingly difficult. These issues can be ameliorated as we gain more significant carrier relationships and conversely these issues can be exacerbated with, as presently, a limited number of such relationships.

Our revenues may fluctuate significantly based on level of advertiser spend, over which we have no control, and ability to sign up publishers for our Advertising business.

A significant portion of our revenue is impacted by the level of advertising spend and our ability to sign up publishers for our advertising business. If we are unable to sign up and retain publishers and advertising spend is lower than our expectations --a factor over which we have no control as we determine our customers advertising budgets --our revenues will be impacted negatively, and this impact may be significant.

Mobile applications and advertising are relatively new, as are our products DT Ignite and DT IQ, and evolving and growth in revenues from those areas is uncertain and changes in the industry may negatively affect our revenue and financial results.

While we anticipate that mobile usage will continue to be the primary driver of revenues related to applications and advertising for the foreseeable future, there could be changes in the industry of mobile carriers and OEM's that could have a negative impact on these growth prospects for our business and our financial performance. Additionally, advertising CPI (Cost per Install) revenue realized could be negatively impacted by end user application "open-rates". The open-rates realized on advertising campaigns in the marketplace today could vary compared to the open-rates realized for applications distributed via our DT Ignite and DT IQ products. Reduced open-rates could have a negative impact on the success of our products and our potential revenues earned from CPI. Mobile advertising market remains a new and evolving market and if we are unable to grow revenues or successfully monetize our customer and potential customer relationships, or if we incur excessive expenses in these efforts, our financial performance and ability to grow revenue would be negatively affected.

Our growth and monetization on mobile devices depend upon effective operation with mobile operating systems, networks, and standards that we do not control as we are largely and Android-based technology provider.

There is no guarantee that mobile carriers and devices will use our products and services rather than competing products. We are dependent on the interoperability of our products and services with popular mobile operating systems that we do not control, such as Android and any changes in such systems and terms of service that degrade our products' functionality, reduce or eliminate our ability to distribute applications, give preferential treatment to competitive products, limit our ability to target or measure the effectiveness of applications, or impose fees or other charges related to our delivery of applications could adversely affect our monetization on mobile devices. Currently our DT Ignite and DT IQ product offerings are compatible with Android only, and would require developmental modifications to support other operating platforms. Additionally, in order to deliver high quality user experience, it is important that our products and services work well with a range of mobile technologies, systems, networks, and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing products that operate effectively with these technologies, systems, networks, or standards. In the event that our relationships with network operators, mobile operating systems or other business partners deteriorate, our growth and monetization could be adversely affected and our business could be harmed.

We currently rely on wireless carriers and OEMs to distribute some of our products and services and thus to generate some of our revenues. The loss of or a change in any of these significant carrier relationships could cause us to lose access to their subscribers and thus materially reduce our revenues.

The future success of our business is highly dependent upon maintaining successful relationships with the wireless carriers with which we currently work and establishing new carrier relationships in geographies where we have not yet established a significant presence. A significant portion of our revenue is derived from a very limited number of carriers. We expect that we will continue to generate a substantial portion of our revenues, on a go-forward basis, through relationships with a limited number of carriers and publishers for the foreseeable future. Our failure to maintain our relationships with these carriers, establish relationships with new carriers and publishers, or a loss or change of terms would materially reduce our revenues and thus harm our business, operating results and financial condition.

We have both exclusive and non-exclusive carrier agreements. Historically, our carrier agreements have had terms of one or two years with automatic renewal provisions upon expiration of the initial term, absent a contrary notice from either party, but going forward terms in carrier agreements may vary. In addition, some carrier agreements provide that the carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights and we indemnify the carrier for any breach of a third party's intellectual property. In addition, with regard to our Content products many of our agreements allow the carrier to set the retail price without adjustment to the negotiated revenue split. If one of these carriers sets the retail price below historic pricing models, or rejects the content we provide, the total revenues received from these carriers will be significantly reduced.

Many other factors outside our control could impair our ability to generate revenues through a given carrier, including the following:

- the carrier's preference for our competitors' products and services rather than ours;
- the carrier's decision not to include or highlight our products and services on the deck of its mobile handsets;

- the carrier’s decision to discontinue the sale of some or all of products and services;
- the carrier’s decision to offer similar products and services to its subscribers without charge or at reduced prices;
- the carrier’s decision to require market development funds from publishers;
- the carrier’s decision to restrict or alter subscription or other terms for downloading our products and services;
- a failure of the carrier’s merchandising, provisioning or billing systems;
- the carrier’s decision to offer its own competing products and services;
- the carrier’s decision to transition to different platforms and revenue models; and
- consolidation among carriers.

If any of our carriers decides not to market or distribute our products and services or decides to terminate, not renew or modify the terms of its agreement with us or if there is consolidation among carriers generally, we may be unable to replace the affected agreement with acceptable alternatives, causing us to lose access to that carrier’s subscribers and the revenues they afford us, which could materially harm our business, operating results and financial condition.

We currently rely on publishers to distribute our advertising services and thus to generate some of our revenues. The loss of or a change in any of these significant publisher relationships could cause us to materially reduce our revenues.

The future success of our business is highly dependent upon maintaining successful publisher relationships and establishing new publisher relationships in geographies where we have not yet established a significant presence. We expect that we will continue to generate a substantial portion of our revenues, on a go-forward basis, through relationships with our publisher base for the foreseeable future. Our failure to maintain our relationships with these publishers, establish relationships with new publishers, or a loss or change of terms would materially reduce our revenues and thus harm our business, operating results and financial condition.

Failure to renew our existing brand and Content licenses on favorable terms or at all and to obtain additional licenses would impair our ability to introduce new products and services or to continue to offer our products and services based on third-party content.

Content revenues are derived from our products and services based on or incorporating brands or other intellectual property licensed from third parties. Any of our licensors could decide not to renew our existing license or not to license additional intellectual property and instead license to our competitors or develop and publish its own products or other applications, competing with us in the marketplace. Several of these licensors already provide intellectual property for other platforms, and may have significant experience and development resources available to them should they decide to compete with us rather than license to us.

We have both exclusive and non-exclusive licenses and licenses that are both global and licenses that are limited to specific geographies. Our licenses generally have terms that range from two to five years. We may be unable to renew these licenses or to renew them on terms favorable to us, and we may be unable to secure alternatives in a timely manner. Failure to maintain or renew our existing licenses or to obtain additional licenses would impair our ability to introduce new products and services or to continue to offer our current products or services, which would materially harm our business, operating results and financial condition. Some of our existing licenses impose, and licenses that we obtain in the future might impose, development, distribution and marketing obligations on us. If we breach our obligations, our licensors might have the right to terminate our licenses, and such termination would harm our business, operating results and financial condition.

Even if we are successful in gaining new licenses or extending existing licenses, we may fail to anticipate the entertainment, shopping or mobile preferences of our end users when making choices about which brands or other content to license. If the entertainment, shopping or mobile preferences of end users shift to content or brands owned or developed by companies with which we do not have relationships, we may be unable to establish and maintain successful relationships with these developers and owners, which would materially harm our business, operating results and financial condition. In addition, some rights are licensed from licensors that have or may develop financial difficulties, and may enter into bankruptcy protection under U.S. federal law or the laws of other countries. If any of our licensors files for bankruptcy, our licenses might be impaired or voided, which could materially harm our business, operating results and financial condition.

The mobile advertising business is an intensely competitive industry, and we may not be able to compete successfully.

The mobile advertising market is highly competitive, with numerous companies providing mobile advertising services. The Company's mobile advertising platform will compete primarily with Facebook, Twitter, and Google, all of which are significantly larger than us and have far more capital to invest in their mobile advertising businesses. The Company will also compete with in-house solutions used by companies who choose to coordinate mobile advertising across their own properties, such as Yahoo!, Pandora, and other independent publishers. They, or other companies that offer competing mobile advertising solutions, may establish or strengthen cooperative relationships with their mobile operator partners, app developers or other parties, thereby limiting the Company's ability to promote its services and generate revenue. Competitors could also seek to gain market share from us by reducing the prices they charge to advertisers or by introducing new technology tools for developers. Moreover, increased competition for mobile advertising space from developers could result in an increase in the portion of advertiser revenue that we must pay to developers to acquire that advertising space. The Company's business will suffer to the extent that its developers and advertisers purchase and sell mobile advertising directly from each other or through other companies that are able to become intermediaries between developers and advertisers. For example, companies may have substantial existing platforms for developers who had previously not heavily used those platforms for mobile advertising campaigns. These companies could compete with us to the extent they expand into mobile advertising. Other companies, such as large app developers with a substantial mobile advertising business, may decide to directly monetize some or all of their advertising space without utilizing the Company's services. Other companies that offer analytics, mediation, exchange or other third party services may also become intermediaries between mobile advertisers and developers and thereby compete with us. Any of these developments would make it more difficult for the Company to sell its services and could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share.

The mobile advertising market may develop more slowly than expected, which could harm the business of the Company.

Advertisers have historically spent a smaller portion of their advertising budgets on mobile media as compared to traditional advertising methods, such as television, newspapers, radio and billboards, or online advertising over the internet, such as placing banner ads on websites. Future demand and market acceptance for mobile advertising is uncertain. Many advertisers still have limited experience with mobile advertising and may continue to devote larger portions of their advertising budgets to more traditional offline or online personal computer-based advertising, instead of shifting additional advertising resources to mobile advertising. If the market for mobile advertising deteriorates, or develops more slowly than we expect, the Company may not be able to increase its revenue.

The Company does not control the mobile networks over which it provides its advertising services.

The Company's mobile advertising platform are dependent on the reliability of network operators and carriers who maintain sophisticated and complex mobile networks, as well as its ability to deliver ads on those networks at prices that enable it to realize a profit. Mobile networks have been subject to rapid growth and technological change, particularly in recent years. The Company does not control these networks.

Mobile networks could fail for a variety of reasons, including new technology incompatibility, the degradation of network performance under the strain of too many mobile consumers using the network, a general failure from natural disaster or a political or regulatory shut-down. Individuals and groups who develop and deploy viruses, worms and other malicious software programs could also attack mobile networks and the devices that run on those networks. Any actual or perceived security threat to mobile devices or any mobile network could lead existing and potential device users to reduce or refrain from mobile usage or reduce or refrain from responding to the services offered by the Company's advertising clients. If the network of a mobile operator should fail for any reason, the Company would not be able to effectively provide its services to its clients through that mobile network. This, in turn, could hurt the Company's reputation and cause it to lose significant revenue.

Mobile carriers may also increase restrictions on the amounts or types of data that can be transmitted over their networks. The Company anticipates generating different amounts of revenue from its advertiser clients based on the kinds of ads the Company delivers, such as display ads, rich media ads or video ads. In most cases, the Company will be paid by advertisers on a cost-per-install basis, when a user downloads an advertised app. In other cases, the Company will be paid on a cost-per-thousand basis depending on the number of ads shown, or on a cost-per-click, or cost-per-action, basis depending on the actions taken by the mobile device user. Different types of ads consume differing amounts of bandwidth and network capacity. If a network carrier were to restrict the amounts of data that can be delivered on that carrier's network, or otherwise control the kinds of content that may be downloaded to a device that operates on the network, it could negatively affect the Company's pricing practices and inhibit its ability to deliver targeted advertising to that carrier's users, both of which could impair the Company's ability to generate revenue. Mobile connected device users may choose not to allow advertising on their devices.

The success of the Company’s advertising business model will depend on its ability to deliver targeted, highly relevant ads to consumers on their mobile connected devices. Targeted advertising is done primarily through analysis of data, much of which is collected on the basis of user-provided permissions. This data might include a device’s location or data collected when device users view an ad or video or when they click on or otherwise engage with an ad. Users may elect not to allow data sharing for targeted advertising for a number of reasons, such as privacy concerns, or pricing mechanisms that may charge the user based upon the amount or types of data consumed on the device. Users may also elect to opt out of receiving targeted advertising from Company’s platform. In addition, the designers of mobile device operating systems are increasingly promoting features that allow device users to disable some of the functionality, which may impair or disable the delivery of ads on their devices, and device manufacturers may include these features as part of their standard device specifications. Although we are not aware of any such products that are widely used in the market today, as has occurred in the online advertising industry, companies may develop products that enable users to prevent ads from appearing on their mobile device screens. If any of these developments were to occur, the Company’s ability to deliver effective advertising campaigns on behalf of its advertiser clients would suffer, which could hurt its ability to generate revenue and become profitable.

The Company may not be able to enhance its mobile advertising platform to keep pace with technological and market developments.

The market for mobile advertising services is characterized by rapid technological change, evolving industry standards and frequent new service introductions. To keep pace with technological developments, satisfy increasing advertiser and developer requirements, maintain the attractiveness and competitiveness of the Company’s mobile advertising solutions and ensure compatibility with evolving industry standards and protocols, the Company will need to regularly enhance its current services and to develop and introduce new services on a timely basis. We have invested significant resources in building and developing real-time bidding, or RTB, infrastructure to provide access to large amounts of advertising inventory and publishers. If the Company’s RTB platform is not attractive to its customers or is not able to compete with alterative mobile advertising solutions, the Company will not have access to as much advertising inventory and may experience increased pressure on margins.

In addition, advances in technology that allow developers to generate revenue from their apps without assistance from the Company could harm its relationships with developers and diminish its available advertising inventory within their apps. Similarly, technological developments that allow third parties to better mediate the delivery of ads between advertisers and developers by introducing an intermediate layer between the Company and its developers could impair its relationships with those developers. The Company’s inability, for technological, business or other reasons, to enhance, develop, introduce and deliver compelling mobile advertising services in response to changing market conditions and technologies or evolving expectations of advertisers or mobile device users could hurt its ability to grow its business and could result in its mobile advertising platform becoming obsolete.

The Company will depend on publishers, developers and distribution partners for mobile advertising space to deliver its advertiser clients’ advertising campaigns, and any decline in the supply of advertising inventory could hurt its business.

The Company will depend on publishers, developers and distribution partners to provide it with space within their apps, which we refer to as “advertising inventory,” on which the Company will deliver ads. We anticipate that a significant portion of the Company’s revenue will derive from the advertising inventory provided by a limited number of publishers, developers and distribution partners. The Company will have minimum or fixed commitments for advertising inventory with some but not all of its publishers, developers and distribution partners, including certain wireless carriers in the United States and internationally. The Company intends to expand the number of publishers, developers and distribution partners subject to minimum or fixed arrangements. Outside of those relationships however, the publishers, developers and distribution partners that will sell their advertising inventory to the Company are not required to provide any minimum amounts of advertising space to the Company, nor are they contractually bound to provide the Company with a consistent supply of advertising inventory. Such publishers, developers and distribution partners can change the amount of inventory they make available to the Company at any time. They may also change the price at which they offer inventory to the Company, or they may elect to make advertising space available to its competitors who offer ads to them on more favorable economic terms. In addition, publishers, developers and distribution partners may place significant restrictions on the Company’s use of their advertising inventory. These restrictions may prohibit ads from specific advertisers or specific industries, or they could restrict the use of specified creative content or format. They may also use a fee-based or subscription-based business model to generate revenue from their content, in lieu of or to reduce their reliance on ads.

If publishers, developers and distribution partners decide not to make advertising inventory available to the Company for any of these reasons, decide to increase the price of inventory, or place significant restrictions on the Company’s use of their advertising space, the Company may not be able to replace this with inventory from others that satisfy the Company’s requirements in a timely and cost-effective manner. If this happens, the Company’s revenue could decline or its cost of acquiring inventory could increase.

The Company's advertising business depends on its ability to collect and use data to deliver ads, and any limitation on the collection and use of this data could significantly diminish the value of the Company's services and cause it to lose clients and revenue.

When the Company delivers an ad to a mobile device, it will often be able to collect anonymous information about the placement of the ad and the interaction of the mobile device user with the ad, such as whether the user visited a landing page or installed an app. As the Company collects and aggregates this data provided by billions of ad impressions, it intends to analyze it in order to optimize the placement and scheduling of ads across the advertising inventory provided to it by developers. For example, the Company may use the collected information to limit the number of times a specific ad is presented to the same mobile device, to provide an ad to only certain types of mobile devices, or to provide a report to an advertiser client on the number of its ads that were clicked.

Although the data the Company will collect is not personally identifiable information, its clients might decide not to allow it to collect some or all of this data or might limit its use of this data. For example, app developers may not agree to provide the Company with the data generated by interactions with the content on their apps, or device users may not consent to having information about their device usage provided to the developer. Any limitation on the Company's ability to collect data about user behavior and interaction with mobile device content could make it more difficult for the Company to deliver effective mobile advertising programs that meet the demands of its advertiser clients.

Although the Company's contracts with advertisers will generally permit it to aggregate data from advertising campaigns, these clients might nonetheless request that the Company discontinue using data obtained from their campaigns that have already been aggregated with other clients' campaign data. It would be difficult, if not impossible, to comply with these requests, and responding to these kinds of requests could also cause the Company to spend significant amounts of resources. Interruptions, failures or defects in its data collection, mining, analysis and storage systems, as well as privacy concerns and regulatory restrictions regarding the collection of data, could also limit its ability to aggregate and analyze mobile device user data from its clients' advertising campaigns. If that happens, the Company may not be able to optimize the placement of advertising for the benefit of its advertiser clients, which could make its services less valuable, and, as a result, it may lose clients and its revenue may decline.

If the Company fails to detect click fraud or other invalid clicks on ads, it could lose the confidence of its advertiser clients, which would cause its business to suffer.

The Company's business will rely on delivering positive results to its advertiser clients. The Company will be exposed to the risk of fraudulent and other invalid clicks or conversions that advertisers may perceive as undesirable. Because of their smaller sizes as compared to personal computers, mobile device usage could result in a higher rate of accidental or otherwise inadvertent clicks by a user. Invalid clicks could also result from click fraud, where a mobile device user intentionally clicks on ads for reasons other than to access the underlying content of the ads. If fraudulent or other malicious activity is perpetrated by others, and the Company is unable to detect and prevent it, the affected advertisers may experience or perceive a reduced return on their investment. High levels of invalid click activity could lead to dissatisfaction with its advertising services, refusals to pay, refund demands or withdrawal of future business. Any of these occurrences could damage the Company's brand and lead to a loss of advertisers and revenue.

The Company's business depends on its ability to maintain the quality of its advertiser and developer content.

The Company must be able to ensure that its clients' ads are not placed in developer content that is unlawful or inappropriate. Likewise, its developers will rely upon the Company not to place ads in their apps that are unlawful or inappropriate. If the Company is unable to ensure that the quality of its advertiser and developer content does not decline as the number of advertisers and developers it works with continues to grow, then the Company's reputation and business may suffer.

Risks Related to Our Market

The markets in which we operate are highly competitive, and many of our competitors have significantly greater resources than we do.

The distribution of applications, mobile advertising, development, distribution and sale of mobile products and services is a highly competitive business. We compete for end users primarily on the basis of positioning, brand, quality and price. We compete for wireless carriers placement based on these factors, as well as historical performance, technical know-how, perception of sales potential and relationships with licensors of brands and other intellectual property. We compete for content and brand licensors based on royalty and other economic terms, perceptions of development quality, porting abilities, speed of execution, distribution breadth and relationships with carriers. We compete for platform deployment contracts amongst other mobile platform companies. We also compete for experienced and talented employees.

Our primary competition for application and content distribution comes from the traditional application store businesses of Apple and Google, existing operator solutions built internally, as well as companies providing app install products and services as offered by Facebook, Twitter, Yahoo!, Pandora and other ad networks such as RocketFuel and Millennial Media. These companies can be both customers and publishers for Digital Turbines products, as well as competitors in certain cases. For the DT IQ product, there is some competition in the space by everything.me, Quixey, and Aviate, but our main competitors are OEM launchers and Android launchers. With DT Ignite, we see some smaller competitors, such as IronSource, Wild Tangent, and Sweet Labs, but the more material competition is internally developed operator solutions and specific mobile application management solutions built in-house by OEMs and Wireless Operators. Some of our existing wireless operators could make a strategic decision to develop their own solutions rather than continue to use our DT IQ and DT Ignite products.

Some of our competitors' and our potential competitors' advantages over us, either globally or in particular geographic markets, include the following:

- significantly greater revenues and financial resources;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- more substantial intellectual property of their own from which they can develop products and services without having to pay royalties;
- pre-existing relationships with brand owners or carriers that afford them access to intellectual property while blocking the access of competitors to that same intellectual property;
- greater resources to make acquisitions;
- lower labor and development costs; and
- broader global distribution and presence.

If we are unable to compete effectively or we are not as successful as our competitors in our target markets, our sales could decline (or, in DT's case, inhibit generation of sales), our margins could decline and we could lose market share (or in DT's case, fail to penetrate the market), any of which would materially harm our business, operating results and financial condition.

End user tastes are continually changing and are often unpredictable; if we fail to develop and publish new products and services that achieve market acceptance, our sales would suffer.

Our business depends on developing and publishing new products and services that wireless carriers distribute and end users will buy. We must continue to invest significant resources in licensing efforts, research and development, marketing and regional expansion to enhance our offering of new products and services, and we must make decisions about these matters well in advance of product release in order to implement them in a timely manner. Our success depends, in part, on unpredictable and volatile factors beyond our control, including end-user preferences, competing products and services and the availability of other entertainment activities. Historically the majority of our revenues were derived via content purchases through traditional carrier application stores, which are in decline with momentum shifting towards third parties (Google and Apple). If our products and services are not responsive to the requirements of our carriers or the entertainment preferences of end users, are not marketed effectively through our direct-to-consumer operations, or are not brought to market in a timely and effective manner, our business, operating results and financial condition would be harmed. Even if our products and services are successfully introduced, marketed effectively and initially adopted, a subsequent shift in our carriers, the entertainment, shopping and mobile preferences of end users, or our relationship with third-party billing aggregators could cause a decline in the popularity of, or access to, our offerings and could materially reduce our revenues and harm our business, operating results and financial condition.

Wireless carriers generally control the price charged for our products and services related to our Content products, and the billing and collection for sales and could make decisions detrimental to us.

Wireless carriers generally control the price charged for our products and services related to content either by approving or establishing the price of the offering charged to their subscribers. Some of our carrier agreements also restrict our ability to change prices related to content. In cases where carrier approval is required, approvals may not be granted in a timely manner or at all. A failure or delay in obtaining these approvals, the prices established by the carriers for our offerings, or changes in these prices could adversely affect market acceptance of our offerings. Similarly, for a minority of our carriers, when we make changes to a pricing plan (the wholesale price and the corresponding suggested retail price based on our negotiated revenue-sharing arrangement), adjustments to the actual retail price charged to end users may not be made in a timely manner or at all (even though our wholesale price was reduced). A failure or delay by these carriers in adjusting the retail price for our offerings, could adversely affect sales volume and our revenues for those offerings.

Carriers and other distributors also control billings and collections for some of our products and services, either directly or through third-party service providers. If our carriers or their third-party service providers cause material inaccuracies when providing billing and collection services to us, our revenues may be less than anticipated or may be subject to refund at the discretion of the carrier. This could harm our business, operating results and financial condition.

We rely on the current state of the law in certain territories where we operate our business and any adverse change in such laws may significantly adversely impact our revenues and thus our operating results and financial condition.

Decisions that regulators or governing bodies make with regard to the provision and marketing of mobile applications, content and/or billing can have a significant impact on the revenues generated in that market. Although most of our markets are mature with regulation clearly defined and implemented, there remains the potential for regulatory changes that would have adverse consequences on the business and subsequently our revenue.

We rely on our current understanding of regional regulatory requirements pertaining to the marketing, advertising and promotion of our products and services, and any adverse change in such regulations, or a finding that we did not properly understand such regulations, may significantly impact our ability to market, advertise and promote our products and services and thereby adversely impact our revenues, our operating results and our financial condition.

Some portions of our business rely extensively on marketing, advertising and promoting our products and services requiring it to have an understanding of the local laws and regulations governing our business. Additionally, we rely on the policies and procedures of wireless carriers and should those change, there could be an adverse impact on our products. In the event that we have relied on inaccurate information or advice, and engage in marketing, advertising or promotional activities that are not permitted, we may be subject to penalties, restricted from engaging in further activities or altogether prohibited from offering our products and services in a particular territory, all or any of which will adversely impact our revenues and thus our operating results and financial condition.

The strategic direction of the Digital Turbine business is in early stages and not completely proven or certain.

The business model that Digital Turbine is pursuing, mobile advertising, application installations, and white label storefront solutions, is in early stages and not completely proven. There are many different types of models including, but not limited to, set-up fees, Cost per Installation (CPI), up-front fees, revenue shares, per device fees, and advertising. Initial feedback from customers shows preference for different types of models. This could lead to risk in predicting future revenues and profits by individual customers. In particular, the ‘free’ download market is reliant upon mobile advertising, and the mobile advertising market is still in a nascent phase of monetization.

In addition, our strategy for Digital Turbine entails offering its platform to existing and new customers. There can be no assurance that we will be able to successfully market new services and offerings to existing and new customers. Moreover, in order to credibly offer the DT Ignite and DT IQ platform, we will need to achieve additional operational and technical achievements to further develop the products. Both DT Ignite and DT IQ are compatible with Android, and should the market shift to a different operating system there would need to be modifications to our products to adapt to such a change. While we remain optimistic about our ability to complete this change and build out, it will be subject to all of the risks attendant to these development efforts as well as the need to provide additional capital to the effort.

Risks Relating to Our Industry

Wireless communications technologies are changing rapidly, and we may not be successful in working with these new technologies.

Wireless network and mobile handset technologies are undergoing rapid innovation. New handsets with more advanced processors and advanced programming languages continue to be introduced. In addition, networks that enable enhanced features are being developed and deployed. We have no control over the demand for, or success of, these products or technologies. If we fail to anticipate and adapt to these and other technological changes, the available channels for our products and services may be limited and our market share and operating results may suffer. Our future success will depend on our ability to adapt to rapidly changing technologies and develop products and services to accommodate evolving industry standards with improved performance and reliability. In addition, the widespread adoption of networking or telecommunications technologies or other technological changes could require substantial expenditures to modify or adapt our products and services.

Technology changes in the wireless industry require us to anticipate, sometimes years in advance, which technologies we must implement and take advantage of in order to make our products and services, and other mobile entertainment products, competitive in the market. Therefore, we usually start our product development with a range of technical development goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competition may be able to achieve them more quickly and effectively than we can. In either case, our products and services may be technologically inferior to those of our competitors, less appealing to end users, or both. If we cannot achieve our technology goals within our original development schedule, then we may delay their release until these technology goals can be achieved, which may delay or reduce our revenues, increase our development expenses and harm our reputation. Alternatively, we may increase the resources employed in research and development in an attempt either to preserve our product launch schedule or to keep up with our competition, which would increase our development expenses. In either case, our business, operating results and financial condition could be materially harmed.

The complexity of and incompatibilities among mobile handsets may require us to use additional resources for the development of our products and services.

To reach large numbers of wireless subscribers, application developers, mobile entertainment publishers and white label storefront providers we must support numerous mobile handsets and technologies. However, keeping pace with the rapid innovation of handset technologies together with the continuous introduction of new, and often incompatible, handset models by wireless carriers requires us to make significant investments in research and development, including personnel, technologies and equipment. In the future, we may be required to make substantial investments in our development if the number of different types of handset models continues to proliferate. In addition, as more advanced handsets are introduced that enable more complex, feature-rich products and services, we anticipate that our development costs will increase, which could increase the risks associated with one or more of our products or services and could materially harm our operating results and financial condition.

If wireless subscribers do not continue to use their mobile handsets to access mobile entertainment and other applications, our business growth and future revenues may be adversely affected.

We operate in a developing industry. Our success depends on growth in the number of wireless subscribers who use their handsets to access data services and, in particular, entertainment applications of the type we develop and distribute. New or different mobile entertainment applications developed by our current or future competitors may be preferred by subscribers to our offerings. In addition, other mobile platforms may become widespread, and end users may choose to switch to these platforms. If the market for our products and services does not continue to grow or we are unable to acquire new end users, our business growth and future revenues could be adversely affected. If end users switch their entertainment spending away from the kinds of offerings that we publish, or switch to platforms or distribution where we do not have comparative strengths, our revenues would likely decline and our business, operating results and financial condition would suffer.

Our industry is subject to risks generally associated with the entertainment industry, any of which could significantly harm our operating results.

Our business is subject to risks that are generally associated with the entertainment industry, many of which are beyond our control. These risks could negatively impact our operating results and include: the popularity, price and timing of release of our offerings and mobile handsets on which they are accessed; economic conditions that adversely affect discretionary consumer spending; changes in consumer demographics; the availability and popularity of other forms of entertainment; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

A shift of technology platform by wireless carriers and mobile handset manufacturers could lengthen the development period for our offerings, increase our costs and cause our offerings to be of lower quality or to be published later than anticipated.

Mobile handsets require multimedia capabilities enabled by operating systems capable of running applications, products and services such as ours. Our development resources are concentrated in today’s most popular operating systems, and we have experience developing applications for these operating systems. Specifically our DT Ignite and DT IQ products currently are compatible with the Android operating system. If this operating system falls out of favor with handset manufacturers and wireless carriers and there is a rapid shift to a new technology where we do not have development experience or resources, the development period for our products and services may be lengthened, increasing our costs, and the resulting products and services may be of lower quality, and may be published later than anticipated. In such an event, our reputation, business, operating results and financial condition might suffer.

System or network failures could reduce our sales, increase costs or result in a loss of end users of our products and services.

Mobile applications and content publishers rely on wireless carriers’ networks to deliver products and services to end users and on their or other third parties’ billing systems to track and account for the downloading of such offerings. In certain circumstances, mobile publishers may also rely on their own servers to deliver products on demand to end users through their carriers’ networks. In addition, certain products require access over the mobile Internet to our servers or third party servers in order to enable certain features. Any failure of, or technical problem with, carriers’, third parties’ or our billing systems, delivery systems, information systems or communications networks could result in the inability of end users to download our products, prevent the completion of a billing transaction, or interfere with access to some aspects of our products. If any of these systems fail or if there is an interruption in the supply of power, an earthquake, fire, flood or other natural disaster, or an act of war or terrorism, end users might be unable to access our offerings. For example, from time to time, our carriers have experienced failures with their billing and delivery systems and communication networks, including gateway failures that reduced the provisioning capacity of their branded e-commerce system. Any failure of, or technical problem with, the carriers’, other third parties’ or our systems could cause us to lose end users or revenues or incur substantial repair costs and distract management from operating our business. This, in turn, could harm our business, operating results and financial condition.

Our business depends on the growth and maintenance of wireless communications infrastructure.

Our success will depend on the continued growth and maintenance of wireless communications infrastructure in the United States and internationally. This includes deployment and maintenance of reliable next-generation digital networks with the speed, data capacity and security necessary to provide reliable wireless communications services. Wireless communications infrastructure may be unable to support the demands placed on it if the number of subscribers continues to increase, or if existing or future subscribers increase their bandwidth requirements. Wireless communications have experienced a variety of outages and other delays as a result of infrastructure and equipment failures, and could face outages and delays in the future. These outages and delays could reduce the level of wireless communications usage as well as our ability to distribute our products and services successfully. In addition, changes by a wireless carrier to network infrastructure may interfere with downloads and may cause end users to lose functionality. This could harm our business, operating results and financial condition.

Actual or perceived security vulnerabilities in mobile handsets or wireless networks could adversely affect our revenues.

Maintaining the security of mobile handsets and wireless networks is critical for our business. There are individuals and groups who develop and deploy viruses, worms and other illicit code or malicious software programs that may attack wireless networks and handsets. Security experts have identified computer “worm” programs that target handsets running on certain operating systems. Although these worms have not been widely released and do not present an immediate risk to our business, we believe future threats could lead some end users to seek to reduce or delay future purchases of our products or reduce or delay the use of their handsets. Wireless carriers and handset manufacturers may also increase their expenditures on protecting their wireless networks and mobile phone products from attack, which could delay adoption of new handset models. Any of these activities could adversely affect our revenues and this could harm our business, operating results and financial condition.

Changes in government regulation of the media and wireless communications industries may adversely affect our business.

A number of laws and regulations have been and likely will continue to be adopted in the United States and elsewhere that could restrict the media and wireless communications industries, including laws and regulations regarding customer privacy, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as ours conducting business through wireless carriers. We anticipate that regulation of our industry will increase and that we will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding the media and wireless communications industries may lessen the growth of wireless communications services and may materially reduce our ability to increase or maintain sales of our products and services.

A number of studies have examined the health effects of mobile phone use, and the results of some of the studies have been interpreted as evidence that mobile phone use causes adverse health effects. The establishment of a link between the use of mobile phone services and health problems, or any media reports suggesting such a link, could increase government regulation of, and reduce demand for, mobile phones and, accordingly, the demand for our products and services, and this could harm our business, operating results and financial condition.

Risks Related to Our Management, Employees and Acquisitions

Our business and growth may suffer if we are unable to hire and retain key personnel, who are in high demand.

We depend on the continued contributions of our domestic and international senior management and other key personnel. We have had three people fill the position of Chief Financial Officer in the past three years. The loss of the services of any of our executive officers or other key employees could harm our business. Because not all of our executive officers and key employees are under employment agreements or are under agreement with short terms, their future employment with the Company is uncertain. Additionally, our workforce is comprised of a relatively small number of employees operating in different countries around the globe who support our existing and potential customers. Given the size and geographic dispersion of our workforce, we could experience challenges with execution as our business matures and expands.

Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance, marketing and creative personnel. We face intense competition for qualified individuals from numerous technology, marketing and mobile entertainment companies. Further, we conduct international operations in Germany, Israel, Singapore and Australia, areas that, similar to our headquarters region, have high costs of living and consequently high compensation standards and/or intense demand for qualified individuals which may require us to incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing creative, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business would suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Some of our senior management personnel and other key employees have become, or will soon become, vested in a substantial amount of stock or stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our employees, our business, operating results and financial condition would be harmed.

Growth may place significant demands on our management and our infrastructure.

We operate in an emerging market and have experienced, and may continue to experience, growth in our business through internal growth and acquisitions. This growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Continued growth could strain our ability to:

- develop and improve our operational, financial and management controls;
- enhance our reporting systems and procedures;
- recruit, train and retain highly skilled personnel;
- maintain our quality standards; and
- maintain branded content owner, wireless carrier and end-user satisfaction.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business, operating results and financial condition would be harmed.

The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution and other harmful consequences.

We have made acquisitions and, although we have no present understandings, commitments or agreements to do so (except as otherwise disclosed within this document), we may pursue further acquisitions, any of which could be material to our business, operating results and financial condition. Future acquisitions could divert management’s time and focus from operating our business, even in instances where acquisition negotiations are unsuccessful. In addition, integrating an acquired company, business or technology is risky and may result in unforeseen operating difficulties and expenditures. We may also raise additional capital for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. Future acquisitions or dispositions could result in potentially dilutive issuances of our equity securities, including our common stock, or the incurrence of debt, contingent liabilities, amortization expenses or acquired in-process research and development expenses, any of which could harm our financial condition and operating results. Future acquisitions may also require us to obtain additional financing, which may not be available on favorable terms or at all.

International acquisitions involve risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our earnings based on this impairment assessment process, which could harm our operating results.

Changes to financial accounting standards could make it more expensive to issue stock options to employees, which would increase compensation costs and might cause us to change our business practices.

We prepare our financial statements to conform with accounting principles generally accepted in the United States. These accounting principles are subject to interpretation by the Financial Accounting Standards Board, or FASB, the Securities and Exchange Commission ("SEC" or the "Commission") and various other bodies. A change in those principles could have a significant effect on our reported results and might affect our reporting of transactions completed before a change is announced. For example, we have used restricted stock and stock options grants as a fundamental component of our employee compensation packages. We believe that such grants directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain in our employ. Several regulatory agencies and entities have made regulatory changes that could make it more difficult or expensive for us to grant stock options or restricted stock to employees. We may, as a result of these changes, incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, any of which could materially and adversely affect our business, operating results and financial condition.

As we pursue and complete strategic acquisitions, divestitures or joint ventures, including our recently completed acquisitions of XYO and Appia, we may not be able to successfully integrate acquired businesses.

We completed the acquisition of XYO and Appia, and we continue to evaluate potential acquisitions, or joint ventures with third parties. These transactions create risks such as:

- disruption of our ongoing business, including loss of management focus on existing businesses;
- problems retaining key personnel of the companies involved in the transactions;
- operating losses and expenses of the businesses we acquire or in which we invest;
- the potential impairment of tangible assets, intangible assets and goodwill acquired in the acquisitions;
- the difficulty of incorporating an acquired business into our business and unanticipated expenses related to such integration;
- potential operational deficiencies in the acquired business and personnel inexperienced in preparing and delivering disclosure information required for a U.S. public company; and
- potential unknown liabilities associated with a business we acquire or in which we invest.

In the event of any future acquisitions, we might need to issue additional equity securities, spend our cash, incur debt, or take on contingent liabilities, any of which could reduce our profitability and harm our business.

Risks Related to the Economy in the United States and Globally

The effects of the past recession in the United States and general downturn in the global economy, including financial market disruptions, could have an adverse impact on our business, operating results or financial condition.

Our operating results also may be affected by uncertain or changing economic conditions such as the challenges that are currently affecting economic conditions in the United States and the global economy. If global economic and market conditions, or economic conditions in the United States or other key markets, remain uncertain or persist, spread, or deteriorate further, we may experience material impacts on our business, operating results, and financial condition in a number of ways including negatively affecting our profitability and causing our stock price to decline.

We face added business, political, regulatory, operational, financial and economic risks as a result of our international operations and distribution, any of which could increase our costs and hinder our growth.

We expect international sales to continue to be an important component of our revenues. Risks affecting our international operations include:

- challenges caused by distance, language and cultural differences;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- the burdens of complying with a wide variety of foreign laws and regulations;
- higher costs associated with doing business internationally;
- difficulties in staffing and managing international operations;
- greater fluctuations in sales to end users and through carriers in developing countries, including longer payment cycles and greater difficulty collecting accounts receivable;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- price controls;
- the servicing of regions by many different carriers;
- imposition of public sector controls;
- political, economic and social instability, including relating to the current European sovereign debt crisis;
- restrictions on the export or import of technology;
- trade and tariff restrictions;
- variations in tariffs, quotas, taxes and other market barriers; and
- difficulties in enforcing intellectual property rights in countries other than the United States.

In addition, developing user interfaces that are compatible with other languages or cultures can be expensive. As a result, our ongoing international expansion efforts may be more costly than we expect. Further, expansion into developing countries subjects us to the effects of regional instability, civil unrest and hostilities, and could adversely affect us by disrupting communications and making travel more difficult. These risks could harm our international expansion efforts, which, in turn, could materially and adversely affect our business, operating results and financial condition.

The Company is expanding and developing internationally, and our increasing foreign operations and exposure to fluctuations in foreign currency exchange rates may increase.

With the acquisition of XYO, we have expanded, and we expect that we will continue to expand, our international operations. International operations inherently subject us to a number of risks and uncertainties, including:

- changes in international regulatory and compliance requirements that could restrict our ability to develop, market and sell our products;
- social, political or economic instability or recessions;
- diminished protection of intellectual property in some countries outside of the United States;
- difficulty in hiring, staffing and managing qualified and proficient local employees and advisors to run international operations;
- the difficulty of managing and operating an international enterprise, including difficulties in maintaining effective communications with employees and customers due to distance, language and cultural barriers;
- differing labor regulations and business practices;
- higher operating costs due to local laws or regulations;
- fluctuations in foreign economies and currency exchange rates;
- difficulty in enforcing agreements; and
- potentially negative consequences from changes in or interpretations of tax laws, post-acquisition.

Any of these factors may, individually or as a group, have a material adverse effect on our business and results of operations.

Risks Related to Potential Liability, our Intellectual Property and our Content

If we do not adequately protect our intellectual property rights, it may be possible for third parties to obtain and improperly use our intellectual property and our competitive position may be adversely affected.

Our intellectual property is an essential element of our business. We rely on a combination of copyright, trademark, trade secret and other intellectual property laws and restrictions on disclosure to protect our intellectual property rights. To date, we have not obtained patent protection; however applications have been submitted. Consequently, we may not be able to protect our technologies from independent invention by third parties.

We also seek to maintain certain intellectual property as trade secrets. The secrecy could be compromised by outside parties, or by our employees, which could cause us to lose the competitive advantage resulting from these trade secrets.

We also face risks associated with our trademarks. For example, there is a risk that our international trademark applications may be considered too generic or that the words “Digital” or “Turbine” could be separately or compositely trademarked by third parties with competitive products who may try and block our applications or sue us for trademark dilution which could have adverse effects on our financial status.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use our intellectual property. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot be certain that the steps we have taken will prevent infringement, piracy, and other unauthorized uses of our intellectual property, particularly internationally where the laws may not protect our intellectual property rights as fully as in the United States. In the future, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our management and resources.

In addition, although we require third parties to sign agreements not to disclose or improperly use our intellectual property, it may still be possible for third parties to obtain and improperly use our intellectual properties without our consent. This could harm our business, operating results and financial condition.

Third parties may sue us for intellectual property infringement, which, if successful, may disrupt our business and could require us to pay significant damage awards.

Third parties may sue us for intellectual property infringement or initiate proceedings to invalidate our intellectual property, either of which, if successful, could disrupt the conduct of our business, cause us to pay significant damage awards or require us to pay licensing fees. In the event of a successful claim against us, we might be enjoined from using our licensed intellectual property, we might incur significant licensing fees and we might be forced to develop alternative technologies. Our failure or inability to develop non-infringing technology or software or to license the infringed or similar technology or software on a timely basis could force us to withdraw products and services from the market or prevent us from introducing new products and services. In addition, even if we are able to license the infringed or similar technology or software, license fees could be substantial and the terms of these licenses could be burdensome, which might adversely affect our operating results. We might also incur substantial expenses in defending against third-party infringement claims, regardless of their merit. Successful infringement or licensing claims against us might result in substantial monetary liabilities and might materially disrupt the conduct of our business.

Litigation may harm our business.

Substantial, complex or extended litigation could cause us to incur significant costs and distract our management. For example, lawsuits by employees, stockholders, collaborators, distributors, customers, competitors, end-users or others could be very costly and substantially disrupt our business. Disputes from time to time with such companies, organizations or individuals are not uncommon, and we cannot assure you that we will always be able to resolve such disputes or on terms favorable to us. Unexpected results could cause us to have financial exposure in these matters in excess of recorded reserves and insurance coverage, requiring us to provide additional reserves to address these liabilities, therefore impacting profits. Carriers or other customers have and may try to include us as defendants in suits brought against them by their own customers or third parties. In such cases, the risks and expenses would be similar to those where we are the party directly involved in the litigation.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, damages caused by malicious software and other losses.

In the ordinary course of our business, most of our agreements with carriers and other distributors include indemnification provisions. In these provisions, we agree to indemnify them for losses suffered or incurred in connection with our products and services, including as a result of intellectual property infringement and damages caused by viruses, worms and other malicious software. The term of these indemnity provisions is generally perpetual after execution of the corresponding license agreement, and the maximum potential amount of future payments we could be required to make under these indemnification provisions is generally unlimited. Large future indemnity payments could harm our business, operating results and financial condition.

We face risks associated with currency exchange rate fluctuations.

We currently transact a significant portion of our revenues in foreign currencies, namely the Australian dollar. Conducting business in currencies other than U.S. Dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the U.S. Dollar relative to other currencies impact our revenues, cost of revenues and operating margins and result in foreign currency transaction gains and losses. To date, we have not engaged in exchange rate-hedging activities. Even if we were to implement hedging strategies to mitigate this risk, these strategies might not eliminate our exposure to foreign exchange rate fluctuations and would involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategies and potential accounting implications.

Our business in countries with a history of corruption and transactions with foreign governments, including with government owned or controlled wireless carriers, increase the risks associated with our international activities.

As we operate and sell internationally, we are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations, deal with carriers and make sales in countries known to experience corruption, particularly certain emerging countries in Eastern Europe and Latin America, and further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants, sales agents or distributors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We have attempted to implement safeguards to discourage these practices by our employees, consultants, sales agents and distributors. However, our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants, sales agents or distributors may engage in conduct for which we might be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

Government regulation of our marketing methods could restrict our ability to adequately advertise and promote our content, products and services available in certain jurisdictions.

The governments of some countries have sought to regulate the methods and manner in which certain of our products and services may be marketed to potential end-users. Regulation aimed at prohibiting, limiting or restricting various forms of advertising and promotion we use to market our products and services could also increase our cost of operations or preclude the ability to offer our products and services altogether. As a result, government regulation of our marketing efforts could have a material adverse effect on our business, financial condition or results of operations.

Risks Relating to Our Common Stock

The market price of our common stock is likely to be highly volatile and subject to wide fluctuations, and you may be unable to resell your shares at or above the current price.

The market price of our common stock is likely to be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond our control, including announcements of new products or services by our competitors. In addition, the market price of our common stock could be subject to wide fluctuations in response to a variety of factors, including:

- quarterly variations in our revenues and operating expenses;
- developments in the financial markets, and the worldwide or regional economies;
- announcements of innovations or new products or services by us or our competitors;
- fluctuations in merchant credit card interest rates;
- significant sales of our common stock or other securities in the open market; and
- changes in accounting principles.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company’s securities. If a stockholder were to file any such class action suit against us, we would incur substantial legal fees and our management’s attention and resources would be diverted from operating our business to respond to the litigation, which could harm our business.

The sale of securities by us in any equity or debt financing, or the issuance of new shares related to an acquisition, could result in dilution to our existing stockholders and have a material adverse effect on our earnings.

Any sale or issuance of common stock by us in a future offering or acquisition could result in dilution to the existing stockholders as a direct result of our issuance of additional shares of our capital stock. In addition, our business strategy may include expansion through internal growth by acquiring complimentary businesses, acquiring or licensing additional brands, or establishing strategic relationships with targeted customers and suppliers. In order to do so, or to finance the cost of our other activities, we may issue additional equity securities that could dilute our stockholders' stock ownership. We may also assume additional debt and incur impairment losses related to goodwill and other tangible assets if we acquire another company, and this could negatively impact our earnings and results of operations.

We may choose to raise additional capital to accelerate the growth of our business, and we may not be able to raise capital to grow our business on terms acceptable to us or at all.

Should we choose to pursue alternatives to accelerate the growth or enhance our existing business, we may require significant cash outlays and commitments. If our cash, cash equivalents and short-term investments balances and any cash generated from operations are not sufficient to meet our cash requirements, we may seek additional capital, potentially through debt or equity financings, to fund our growth. We may not be able to raise needed cash on terms acceptable to us or at all. Financings, if available, may be on terms that are dilutive or potentially dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the fair market value of our common stock. The holders of new securities may also receive rights, preferences or privileges that are senior to those of existing holders of our common stock.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade their recommendations regarding our common stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about our business or us. If any of the analysts who cover us downgrade our common stock, our common stock price would likely decline. If analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our common stock price or trading volume to decline.

We do not anticipate paying dividends.

We have never paid cash or other dividends on our common stock. Payment of dividends on our common stock is within the discretion of our Board of Directors and will depend upon our earnings, our capital requirements and financial condition, and other factors deemed relevant by our Board of Directors. However, the earliest our Board of Directors would likely consider a dividend is if we begin to generate excess cash flow.

If we fail to maintain an effective system of internal controls, we might not be able to report our financial results accurately or prevent fraud; in that case, our stockholders could lose confidence in our financial reporting, which could negatively impact the price of our stock.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to evaluate and report on our internal control over financial reporting. We are in the process of strengthening and testing our system of internal controls. The process of implementing our internal controls and complying with Section 404 is expensive and time consuming and requires significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we discover a material weakness or a significant deficiency in our internal control, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, if we fail to comply with the applicable portions of Section 404, we could be subject to a variety of administrative sanctions, including ineligibility for short form resale registration, action by the SEC, and the inability of registered broker-dealers to make a market in our common stock, which could further reduce our stock price and harm our business. Refer to Item 9 of this 10K for more information about the Company's assessment on internal controls.

Maintaining and improving our financial controls and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified members for our Board of Directors.

As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act. Additionally, the time and effort required to maintain communications with shareholders and the public markets can be demanding on senior management, which can divert focus from operational and strategic efforts. The requirements of the public markets and the related regulatory requirements has resulted in an increase in our legal, accounting and financial compliance costs, may make some activities more difficult, time-consuming and costly and may place undue strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. For example, we depend on the reports of wireless carriers for information regarding the amount of sales of our products and services and to determine the amount of royalties we owe branded content licensors and the amount of our revenues. These reports may not be timely, and in the past they have contained, and in the future they may contain, errors.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we expend significant resources and provide significant management oversight. We have a substantial effort ahead of us to implement appropriate processes, document our system of internal control over relevant processes, assess their design, remediate any deficiencies identified and test their operation. As a result, management's attention may be diverted from other business concerns, which could harm our business, operating results and financial condition. These efforts will also involve substantial accounting-related costs.

The Sarbanes-Oxley Act makes it more difficult and more expensive for us to maintain directors' and officers' liability insurance, and we may be required in the future to accept reduced coverage or incur substantially higher costs to maintain coverage. If we are unable to maintain adequate directors' and officers' insurance, our ability to recruit and retain qualified directors, and officers will be significantly curtailed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The principal offices of Digital Turbine, Inc. are located at 1300 Guadalupe Street Suite 302, Austin, Texas 78701. Digital Turbine entered into a lease for these premises with Thirteenth & Guadalupe Partners, LP at a base rent of $6,203 per month which has subsequently increased to $6,409 per month after renewal at 12/1/2014. Digital Turbine also leases property in Los Angeles, California which will be closed on or before May 31, 2015 as part of the Company's headquarter relocation move to Austin, Texas. Digital Turbine also leases property in Durham, North Carolina through its wholly owned subsidiary, Digital Turbine Media, Inc., and internationally in Australia, Israel, and Germany through its wholly owned subsidiaries, Digital Turbine Group Pty Ltd, DT EMEA Ltd, and Digital Turbine Germany GmbH.

ITEM 3. LEGAL PROCEEDINGS

The information required by this Item 3 is incorporated herein by reference to the information set forth under the caption "Legal Matters" in Note 17 of the Notes to the Consolidated Financial Statements included in "Part II — Item 8 — Financial Statements and Supplementary Data."

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

As of June 8, 2015, the closing price of our common stock was $4.18. Our common stock is traded on the NASDAQ Capital Market under the symbol "APPS". The following table sets forth the range of high and low closing sales prices reported on the NASDAQ Capital Market for our common stock for the following periods:

	High		Low	
Fiscal Year Ended March 31, 2015				
First quarter	$	4.12	$	3.24
Second quarter	$	5.89	$	3.16
Third quarter	$	4.45	$	2.99
Fourth quarter	$	4.09	$	2.79
Fiscal Year Ended March 31, 2014				
First quarter (1)	$	6.00	$	3.80
Second quarter	$	4.79	$	2.31
Third quarter	$	3.29	$	2.28
Fourth quarter	$	4.89	$	2.57

(1) We initially listed on a national securities exchange on June 12, 2013; prior to such time our common stock was quoted on an over the counter market. The periods in the table prior to such time reflects bid, rather than closing prices, in accordance with the differing SEC rules for stock price quotation for national securities exchanges and over the counter markets. The over the counter prices listed reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Holders

As of May 29, 2015, there were 2,272 holders of record of our common stock. There were also an undetermined number of holders who hold their stock in nominee or "street" name.

Dividends

We have not declared cash dividends on our common stock since our inception and we do not anticipate paying any cash dividends in the foreseeable future.

Adoption of Amended and Restated 2011 Equity Incentive Plan of Digital Turbine, Inc.

On May 26, 2011, our board of directors adopted the 2011 Equity Incentive Plan of Digital Turbine, Inc. and on April 27, 2012, our board of directors amended and restated the plan and the related plan documents and directed that they be submitted to our stockholders for their consideration and approval. On May 23, 2012, our stockholders approved and adopted by written consent the Amended and Restated 2011 Equity Incentive Plan of Digital Turbine, Inc. (the "2011 Plan"), the Digital Turbine, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement and the Digital Turbine, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement (collectively, the "Related Documents").

The 2011 Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units (sometimes referred to individually or collectively as "Awards") to our and our subsidiaries' officers, employees, non-employee directors and consultants.

On September 10, 2012, the Company increased the 2011 Plan shares available for issuance from 4,000,000 to 20,000,000.

The Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units (sometimes referred to individually or collectively as "Awards") to our and our subsidiaries' officers, employees, non-employee directors and consultants. Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs"). The Plan reserves 20,000,000 shares for issuance, of which 14,393,741 remain available for issuance as of March 31, 2015.

Equity Compensation Plan Information

The following table sets forth information concerning our 2007 Employee, Director and Consultant Stock Plan, our Amended and Restated 2011 Equity Incentive Plan, our Appia, Inc. 2008 Stock Incentive Plan and individual compensation arrangements with employees or consultants of the Company as of March 31, 2015.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by security holders			
Amended and Restated 2011 Equity Incentive Plan	4,824,133	$ 3.83	14,393,741
2007 Employee, Director and Consultant Stock Plan	719,670	$ 9.59	—
Appia, Inc. 2008 Stock Incentive Plan	245,956	$ 0.64	—
Equity compensation plans not approved by security holders	—	$ —	—
Total	5,789,759		14,393,741

Unregistered Sales of Equity Securities

All numbers are in thousands, except share and per share amounts.

In March 2015, the Company issued 15,000 shares of common stock of the Company to the Sellers of DT EMEA as part of the settlement of its contingent liability to Sellers pursuant to the Logia Settlement Agreement referenced in Note 11. The fair value of the shares on the date of issuance was $60. The shares were issued to an accredited investor without any general solicitation pursuant to the exemption from registration afforded by Section 4(a)(2) under the Securities Act of 1933 and/or Regulation D and/or Regulation S promulgated thereunder.

Issuer Purchases of Equity Securities

There were no purchases of equity securities by us during the period ended March 31, 2015.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this Report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Annual Report on Form 10-K, the words "anticipate," "believe," "estimate," "expect," "would," "could," "may," and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements as a result of a variety of factors including those set forth under "Risk Factors" set forth under Item IA and elsewhere in this filing. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

Unless the context otherwise indicates, the use of the terms "we," "our", "us", "Digital Turbine", "DT", or the "Company" refer to the collective business and operations of Digital Turbine, Inc. through its operating and wholly-owned subsidiaries, Digital Turbine USA, Inc. ("DT USA"), Digital Turbine (EMEA) Ltd. ("DT EMEA"), Digital Turbine Australia Pty Ltd ("DT APAC"), Digital Turbine Singapore Pte Ltd ("DT Singapore"), Digital Turbine Luxembourg S.a.r.l. ("DT Luxembourg"), Digital Turbine Germany, GmbH ("DT Germany"), and Digital Turbine Media, Inc. ("DT Media").

All numbers are in thousands, except share and per share amounts.

Company Overview

Digital Turbine innovates at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, app advertisers, device OEMs and other third parties to enable them to effectively monetize mobile content and generate higher value user acquisition. The company operates its business by providing services in the Advertising and Content space. The Company has grown through several recent acquisitions, which are relevant to understanding the Company's current business. The Company acquired Xyologic and Appia in fiscal 2015. The Xyologic acquisition was key to developing DT IQ which is a product that provides app-install recommendations. Appia (Appia Core) provides the Company with a mobile user acquisition platform which allows mobile advertisers to engage with the right customers for their applications.

Advertising

DT Ignite is a mobile application management software that is pre-installed on devices to enable mobile operators and OEMs to control, manage and monetize the applications that are installed on mobile devices. DT Ignite allows mobile operators to customize the out-of-the-box experience for customers and monetize their home screens via Cost-Per-Install or CPI arrangements, Cost-Per-Placement or CPP arrangements, and/or Cost-Per-Action or CPA arrangements with third party application developers. Applications can be installed silently or with notification, on first boot or later in the lifecycle of the device, allowing mobile operators and OEMs to participate in an advertising revenue stream. The Company has launched DT Ignite with mobile operators and OEMs in North America, Europe, Asia Pacific, India and Israel.

DT IQ enables app and content discovery, both organic and sponsored, in a variety of user interfaces. The core of the product suite is the DT IQ engine which provides application recommendations to the device end user blended with sponsored ads. The DT IQ AppDeck product is centered purely around app discovery and is presented in a visual feed-based User Interface. The DT IQ App Drawer product organizes applications for device end users by category and provides contextual app recommendations. DT IQ Search is a User Experience and User Interface that enable device end users to search and discover content from various sources including social media, search engines, and applications. Monetization for DT IQ Search is through increased content sales while AppDeck and App Drawer monetize through the display of and or recommendation of applications via the CPI commercial model. DT IQ has been deployed with mobile operators across North America and Asia Pacific.

DT Media is an advertiser solution for unique and exclusive carrier and OEM on-device home screen inventory.

Appia Core is a leading worldwide mobile user acquisition network. Its mobile user acquisition platform is a demand side platform, or DSP. This platform allows mobile advertisers to engage with the right customers for their applications at the right time to gain them as customers. Appia Core accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, mobile carriers and mediated relationships; as well as purchasing inventory through exchanges using real-time bidding ("RTB"). The advertising revenue generated by Appia Core's platform is shared with publishers according to contractual rates in the case of direct or mediated relationships. When inventory is accessed using real-time bidding, Appia Core buys inventory at a rate determined by the marketplace. Since inception, Appia Core has delivered over 100 million app installs for hundreds of advertisers.

Content

DT Marketplace is currently one of the Company's primary revenue generating products. DT Marketplace can be sold as an application storefront that manages the retailing of mobile content including features such as merchandising, product placements, reporting, pricing, promotions, and distribution of digital goods. DT Marketplace also includes the distribution and licensing of content across multiple content categories including music, applications, wallpapers, eBooks, and games. DT Marketplace is deployed with many operators across multiple countries including Australia, Singapore, and Israel.

DT Pay is currently one of the Company's primary revenue generating products. DT Pay is an Application Programming Interface (API) that integrates billing infrastructure between mobile operators and content publishers to facilitate mobile commerce. Increasingly, mobile content publishers want to go directly to consumers to sell their content rather than sell through traditional distributors such as Google Play or the Apple Application Store. DT Pay allows publishers and carriers to monetize those applications by allowing the content to be billed directly to the consumer via carrier billing. DT Pay has been launched in Australia and Singapore.

Digital Turbine's divestiture of Twistbox Entertainment in the fiscal 2014 fourth quarter is reflected as discontinued operations in this Report. All periods presented have been revised to reflect this presentation. Unless otherwise noted, all discussions in this Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations.

RESULTS OF OPERATIONS

	12 Months Ended March 31, 2015	12 Months Ended March 31, 2014	% of Change
	(in thousands, except share and per share amounts)		
Revenues	$ 28,252	$ 24,404	15.8 %
Cost of revenues	22,120	16,558	33.6 %
Gross profit	6,132	7,846	-21.8 %
SG&A	29,869	23,216	28.7 %
Impairment of intangible assets	-	154	-100.0 %
Operating loss	(23,737)	(15,524)	52.9 %
Interest expense, net	(234)	(1,407)	-83.4 %
Foreign exchange transaction gain	32	33	-3.0 %
Change in fair value of warrant derivative liabilities loss	-	(811)	-100.0 %
Gain/ (loss) on disposal of fixed assets	2	-	100.0 %
Loss on extinguishment of debt	-	(442)	-100.0 %
Gain / (loss) on settlement of debt	(9)	74	-112.2 %
Other expense	46	-	100.0 %
Loss on change on valuation of long term contingent liability	-	603	-100.0 %
Loss before income taxes	(23,900)	(17,474)	36.8 %
Income tax provision	747	(272)	-374.6 %
Loss from continuing operations	(24,647)	(17,202)	43.3 %
Loss on disposal of discontinued operations, net of taxes	-	(1,502)	-100.0 %
Net loss	(24,647)	(18,704)	31.8 %
Diluted net income / (loss) per common share:			
Continuing operations	(0.63)	(0.63)	0.0 %
Discontinued operations	-	(0.05)	-100.0 %
Net loss	(0.63)	(0.68)	-7.4 %
Weighted average common shares outstanding, basic and diluted	38,967	27,478	41.8 %

Comparison of the Year Ended March 31, 2015 and the Year Ended March 31, 2014

Revenues

	Twelve Months Ended March 31, 2015	Twelve Months Ended March 31, 2014	% of Change
	(In thousands)		
Revenues by type:			
Content	$ 22,009	$ 23,635	-6.9 %
Advertising	6,243	769	711.8 %
Total	$ 28,252	$ 24,404	15.8 %

During the year ended March 31, 2015 there was an approximately $3,800 or 15.8% increase in revenue overall, as compared to the year ending March 31, 2014. The year over year increase was driven by Advertising revenue growth comprised primarily of CPI and CPP revenue from new advertising partners across commercial deployments of DT Ignite with new carrier partners, amounts earned from the Company's carrier partners relating to sharing of costs of software customization and integration prior to device launch, and the inclusion of 26 days of Appia Core. The Content business experienced a moderate decline year over year driven primarily by a decrease in DT Marketplace in the first half of the fiscal year. The decline in DT Marketplace was partially mitigated by increased billing revenue as a result of new DT Pay customers.

Gross Margins

	Twelve Months Ended March 31, 2015	Twelve Months Ended March 31, 2014	% of Change
	(In thousands)		
Gross margin by type			
Content Gross Margin $	$ 4,210	$ 7,083	-40.6 %
Content Gross Margin %	19 %	30 %	
Advertising Gross Margin $	$ 1,922	$ 763	151.9 %
Advertising Gross Margin %	31 %	99 %	
Total Gross Margin $	$ 6,132	$ 7,846	-21.8 %
Total Gross Margin %	22 %	32 %	

Gross profit was approximately $6,100 or 22% for fiscal 2015, versus approximately $7,800 or 32% for fiscal 2014. Content business gross profit and gross margin was adversely impacted by a mix shift from DT Marketplace to DT Pay, which carries a lower gross margin. Advertising gross profit and gross margin, driven by the amount of revenue share paid to carrier and OEM distribution partners related primarily to CPI and CPP revenue generated via the DT Ignite platform and revenue share paid to Appia Core publishers, year of year with an increase in overall Advertising revenue.

Operating Expenses

	Twelve Months Ended March 31, 2015	Twelve Months Ended March 31, 2014	% of Change
	(In thousands)		
Product development expenses	$ 7,905	$ 7,869	0.5 %
Sales and marketing expenses	2,933	1,915	53.2 %
General and administrative expenses	19,031	13,432	41.7 %

Product development expenses include campaign management, the development and maintenance of the DT product suite, including Appia Core, as well as the costs to support DT Pay and DT Marketplace through the optimization of content for consumption on a mobile phone. Expenses in this area are primarily a function of personnel.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. Sales and marketing expenses have increased with bringing products to market.

General and administrative expenses represent management, finance and support personnel costs in both the parent and subsidiary companies, which include professional and consulting costs, in addition to other costs such as rent, stock based compensation and depreciation expense.

Total operating expenses for fiscal 2015 equaled approximately $29,900, compared with approximately $23,400 in fiscal 2014. The increase related to costs inclusion of 26 days of Appia, investment in new offices in Germany and Singapore, transaction costs related to the acquisitions of XYO and Appia, as well as an increase in stock-based compensation. Total operating expenses for fiscal 2015 included approximately $6,400 in non-cash items comprised of depreciation and stock based compensation. Total operating expenses for fiscal 2014 included approximately $5,700 in non-cash items comprised of depreciation and stock based compensation.

Other Income and Expenses

	Twelve Months Ended March 31, 2015	2014	% of Change
	(In thousands)		
Interest and other (expense)	(234)	(1,407)	-83.4 %
Foreign exchange transaction gain / (loss), net	32	33	-3.0 %
Change in fair value of warrant derivative liabilities loss	-	(811)	-100.0 %
Gain on disposal of fixed assets	2	-	100.0 %
Other income	46	-	100.0 %
Loss on extinguishment of debt	-	(442)	-100.0 %
Gain / (loss) on settlement of debt	(9)	74	-112.2 %
Loss on change on valuation of long term contingent liability	-	603	-100.0 %

Interest and other expense includes interest income on invested funds, interest expense, and financing costs as incurred by the Company. These expenses were significantly higher in the year ended March 31, 2014 due to loan modification costs and interest expense incurred through September 2013 when the outstanding debt balance was paid off as compared to the year ended March 31, 2015 which included only 26 days of interest expense related to the new debt brought on in connection with the acquisition of Appia, Inc. Other expenses include foreign exchange transaction gains and losses. The last quarter of the year ended March 31, 2015 includes a portion of interest from debt incurred with the acquisition of Appia.

Financial Condition

Assets

Our current assets totaled approximately $20,200 and approximately $27,500 at March 31, 2015 and March 31, 2014, respectively. Total assets were approximately $122,600 and approximately $45,100 at March 31, 2015 and March 31, 2014, respectively. The decrease in current assets from period to period is primarily due to the decrease in cash used for operating activities of approximately $14,500 and the XYO purchase of approximately $2,100 offset by the increase in cash of approximately $500 for warrant and option exercises, as well as approximately $1,400 in cash and approximately $7,400 in accounts receivable purchased in the Appia acquisition in March 2015.

Liabilities and Working Capital

At March 31, 2015, our total liabilities were approximately $31,000, compared to approximately $12,100 at March 31, 2014. The change in liabilities was due to the increase in liabilities and debt due to the acquisition of Appia of approximately $21,300, offset mainly by the decrease in deferred tax liabilities of approximately $2,900. As a result of these changes, the Company had negative working capital of approximately $3,800 at March 31, 2015 as opposed to positive working capital of approximately $15,600 at March 31, 2014.

Liquidity and Capital Resources

	Twelve Months Ended March 31, 2015	2014	% of Change
	(In thousands)		
Consolidated Statement of Cash Flows Data:			
Capital expenditures	67	207	-67.6 %
Cash flows used in operating activities	14,500	7,807	85.7 %
Cash flows used in acquisition of assets	2,125	-	100.0 %
Exercise of warrants and options	(511)	-	100.0 %
Settlement of contingent liability	49	-	100.0 %
Cash acquired with acquisition of subsidiary	(1,363)	(513)	165.7 %
Cash used in acquisition of subsidiary	-	1,287	-100.0 %
Repayment of debt obligations	-	3,657	-100.0 %
Issuance of shares for cash	-	(33,297)	-100.0 %
Loss on exchange rate changes on cash and cash equivalents	(131)	196	-166.8 %

Our primary sources of liquidity have historically been issuance of common and preferred stock and convertible debt. In fiscal year 2014, the Company raised approximately $33,300 through equity financings. The Company did not raise any financing through equity issuance in fiscal year 2015. The Company filed a shelf registration covering $100,000 of primary securities, which would enable the Company to raise additional capital. The registration statement was declared effective by the SEC on April 24, 2015, and provides the Company flexibility to consider and pursue capital raising alternatives. The Company believes that it will have sufficient resources to continue operations through March 31, 2016; however, additional capital would likely be needed to pursue new opportunities of inorganic growth not currently in our main business plans. As of March 31, 2015, we had approximately $7,000 of cash and cash equivalents. Additionally, the Company currently has a $3,500 revolving credit facility in place with Silicon Valley Bank, which it uses to fund working capital requirements, as needed. As of March 31, 2015, the outstanding balance on the revolving credit facility was $3,000. Refer to section 9B for an update on the Silicon Valley Bank revolving credit facility.

On June 11, 2015, (the "Closing Date"), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the "Borrower") and Silicon Valley Bank, a California corporation ("Bank") entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. Refer to section 9B for an update on the Silicon Valley Bank revolving credit facility.

Operating Activities

During the year ended March 31, 2015, cash decreased approximately $14,700. Net cash used in operating activities was $14,500 in the year ended March 31, 2015, as compared to approximately $7,800 in the year ended March 31, 2014. The difference between net loss and net cash used in operating activities is comprised primarily of an increase in accounts receivable, deposits, and prepaid expenses of approximately $600, offset by a decrease in accounts payable and other liabilities of approximately $5,000, and further offset by a decrease in deferred tax assets of approximately $3,200 and an increase in accrued license fees and revenue share and accrued compensation of approximately $3,000 and approximately $325, respectively. These changes are related to the loss for the period, but exclude depreciation and amortization of approximately $2,100, as well as approximately $6,300 expense for stock compensation, stock options and stock issued for services.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partners, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not have any undisclosed borrowings or debt, and we have not entered into any synthetic leases. We believe, therefore, that we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to contingencies, litigation and goodwill and intangibles acquired relating to our acquisitions. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our financial statements.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for annual financial statements. The financial statements, in the opinion of management, include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for each period presented.

Estimates and Assumptions

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Actual results could differ from those estimates.

Revenue Recognition

Advertising

Advertising revenues are generated via direct Cost-Per-Install (CPI), Cost-Per-Placement (CPP), or Cost-Per-Action (CPA) arrangements with application developers, or indirect CPI, CPP or CPA arrangements through advertising aggregators (ad networks). Transactions are processed by the Company’s software services: mobile application management through DT Ignite, and user experience and discovery through DT IQ.

The Company recognizes as revenue the amount billed to the application developer or advertising aggregator. Revenue share payments to the carrier are recorded as a cost of revenues. The Company has evaluated its agreements with the developers and aggregators and the carriers in accordance with the guidance at FASB ASC 605-45 Revenue Recognition – Principal Agent Considerations and has concluded that it is the principal under these agreements. Key indicators that it evaluated to reach this determination include:

- The Company has the contractual relationship with the application developers or advertising aggregators (collectively, the advertisers), and we have the performance obligation to these parties;

- Through our DT Ignite and DT IQ software, we provide application installation and management as well as detailed reporting to advertisers and carriers. We are responsible for billing the advertisers, and for reporting revenues and revenue share to the carriers;

- As part of the application management process, we use our data, and post-install event data provided back to us by the advertisers, to match applications to end users. We currently target end users based on carrier, geography, demographics (including by handset type), among other attributes, by leveraging carrier data. We have discretion as to which applications are delivered to each end user;

- Pricing is established in our agreements with advertisers. We negotiate pricing with the advertisers, based on prevailing rates typical in the industry; and

- The Company is responsible for billing and collecting the gross amount from the advertiser. Our carrier agreements do not include any specific provisions that allow us to mitigate our credit risk by reducing the revenue share payable to the carrier.

In certain instances the carrier may enter directly into a CPI, CPP or CPA arrangement with a developer, where the installation will be made using the Company’s DT Ignite and DT IQ software services. In these instances, the Company receives a share of the carrier’s revenue, which is recognized on a net basis.

In addition to revenues from application developers and advertising aggregators, the Company may receive fees from the carriers relating to the initial set-up of the arrangements with the carriers. Set-up activities typically include customization, testing and implementation of the DT Ignite software for specific handsets. When the Company determines that the set-up fees do not have standalone value, such fees are deferred and recognized over the estimated period the carrier benefits from the set-up fee, which is generally the estimated life of the related handsets.

The Company has determined that certain set-up activities are within the scope of FASB ASC 985-605 Software Revenue Recognition and, accordingly, the Company applies the provisions of ASC 985-605 to the software components. As a result, the Company typically defers recognition of the set-up fee until all elements of the arrangement have been delivered. In those instances where the set-up fee covers ongoing support and maintenance, the fee is deferred and amortized over the term of the carrier agreement.

Content and Billing

The Company's Content and Billing revenues are derived primarily from transactions with the carriers' customers (end users). The carriers bill the end users upon the sale of content, including music, images or games, and the Company shares the end user revenues with the carrier. The end user transactions are processed by the Company's software services: white labeled mobile storefront and content management solutions through DT Marketplace, and mobile payments with direct operator billing through DT Pay.

The Company utilizes its reporting system to capture and recognize revenue due from carriers, based on monthly transactional reporting and other fees earned upon delivery of content to the end user. Determination of the appropriate amount of revenue recognized is based on the Company's reporting system, but it is possible that actual results may differ from the Company's estimates once the reports are reconciled with the carrier. When the Company receives the final carrier reports, to the extent not received within a reasonable time frame following the end of each month, the Company records any differences between estimated revenues and actual revenues in the reporting period when the Company determines the actual amounts. The Company has not experienced material adjustments to its estimates when the final amounts were reported by carriers. If the Company deems a carrier not to be creditworthy, the Company defers all revenues from the arrangement until the Company receives payment and all other revenue recognition criteria have been met.

The Company recognizes as revenues the amount billed to the carrier upon the sale of content, which is net of sales taxes, the carrier's fees and other deductions. The Company has evaluated its agreements with carriers in accordance with the guidance at FASB ASC 605-45 Revenue Recognition – Principal Agent Considerations and has concluded that it is not the principal under these agreements.

Key indicators that it evaluated to reach this determination include:

- End users directly contract with the carriers, which have most of the service interaction and are generally viewed as the primary obligor by the subscribers;

- Carriers generally have significant control over the types of content that they offer to their subscribers; the Company has the content provider relationships and has discretion, within the parameters set by the carriers, regarding the actual offerings;

- Carriers are directly responsible for billing and collecting fees from their subscribers, including the resolution of billing disputes;

- Carriers generally pay the Company a fixed percentage of their revenues or a fixed fee for each content sale;

- Carriers generally must approve the price of the Company's content in advance of their sale to subscribers, and the Company's more significant carriers generally have the ability to set the ultimate price charged to their subscribers; and

- The Company has limited risks, including no inventory risk and limited credit risk.

The Company has also evaluated its agreements with content providers, and has concluded that it is the principal under these agreements. Accordingly, payments to content providers are reported as cost of revenues.

Content Provider Licenses and Carrier Revenue Share

Content Provider License Fees

The Company's royalty expenses consist of fees that it pays to branded content owners for the use of their intellectual property in the development of the Company's music, games and other content, and other expenses directly incurred in earning revenue. Royalty-based obligations are either, accrued as incurred and subsequently paid, or in the case of content acquisitions, paid in advance and capitalized on our balance sheet as prepaid license fees. These royalty-based obligations are expensed to cost of revenues either at the applicable contractual rate related to that revenue or over the estimated life of the content acquired. Minimum guarantee license payments that are not recoupable against future royalties are capitalized and amortized over the lesser of the estimated life of the branded title or the term of the license agreement.

Carrier Revenue Share

Revenues generated from advertising via direct CPI, CPP or CPA arrangements with application developers, or indirect arrangements through advertising aggregators (ad networks) are shared with the carrier and the shared revenue is recorded as a cost of goods sold. In each case the revenue share with the carrier varies depending on the agreement with the carrier, and, in some cases, is based upon revenue tiers.

Software Development Costs

The Company applies the principles of FASB ASC 985-20, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product.

The Company has adopted the "tested working model" approach to establishing technological feasibility for its products and games. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected. To date, the Company has not incurred significant costs between the establishment of technological feasibility and the release of a product for sale; thus, the Company has expensed all software development costs as incurred. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products and games; the lack of pre-orders or sales history for its products and games; the uncertainty regarding a product's or game's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product or game will be available for sale; and its historical practice of canceling products and games at any stage of the development process.

Presentation

In order to facilitate the comparison of financial information, certain amounts reported in the prior year have been reclassified to conform to the current year presentation.

Concentrations of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist principally of cash and cash equivalents, and accounts receivable. We have placed cash and cash equivalents at high credit-quality institutions. In our content business most of our sales are made directly to large national mobile phone carriers. In our advertising business most of our sales are made either directly to advertisers or through advertising aggregators. We have a significant level of business and resulting significant accounts receivable balance with one operator and therefore have a high concentration of credit risk with that operator. We perform ongoing credit evaluations of our customers and maintain an allowance for potential credit losses. As of March 31, 2015, one major customer represented approximately 21.1% of our gross accounts receivable outstanding, and 49.1% of our gross accounts receivable outstanding as of March 31, 2014, respectively. The previously mentioned major customer and one other customer accounted for 50.6%, 11.1% of our gross revenues during the twelve month period ended March 31, 2015 and these two customers and one other customer accounted for 45.8%, 22.2%, and 10.5% of our gross revenues during the twelve month period ended March 31, 2014.

Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20 Goodwill and Other Intangible Assets, the value assigned to goodwill and indefinite lived intangible assets is not amortized to expense, but rather they are evaluated at least on an annual basis to determine if there are potential impairments. For goodwill and indefinite lived intangible assets, we complete what is referred to as the "Step 0" analysis which involves evaluating qualitative factors including macroeconomic conditions, industry and market considerations, cost factors, and overall financial performance. If our "Step 0" analysis indicates it is more likely than not that the fair value is less than the carrying amount, we would perform a quantitative two-step impairment test. The quantitative analysis compares the fair value of our reporting unit or indefinite-lived intangible assets to the carrying amounts, and an impairment loss is recognized equivalent to the excess of the carrying amount over the fair value. Fair value is determined based on discounted cash flows, market multiples or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

In the year ended March 31, 2014, the Company determined that there was no impairment of goodwill. In performing the related valuation analysis, the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. There were no indications of impairment present during the period ended March 31, 2015.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consist of customer lists, license agreements and software that have been acquired are amortized using the straight-line method over their useful life ranging from five to eight years and are reviewed for impairment in accordance with FASB ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

There were no indications of impairment present during the period ended March 31, 2015. In performing the related valuation analysis the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740-10, Accounting for Income Taxes ("ASC 740-10"), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740-10, the Company determines deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities along with net operating losses, if it is more likely than not the tax benefits will be realized using the enacted tax rates in effect for the year in which it expects the differences to reverse. To the extent a deferred tax asset cannot be recognized, a valuation allowance is established if necessary.

ASC 740-10 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the "more-likely-than-not" recognition threshold should be measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters as a component of the provision for income taxes. We do not currently anticipate that the total amount of unrecognized tax benefits will significantly change within the next 12 months.

The Company's income is subject to taxation in both the U.S. and foreign jurisdictions, including Israel, Germany, Luxembourg, Singapore and Australia. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that certain positions might be challenged despite the Company's belief that its tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

Stock-based compensation.

We have applied FASB ASC 718 Share-Based Payment ("ASC 718") and accordingly, we record stock-based compensation expense for all of our stock-based awards.

Under ASC 718, we estimate the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense recognized represents the expense associated with the stock options we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of options that actually vest or are forfeited are recorded.

The Black-Scholes option pricing model, used to estimate the fair value of an award, requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend rates and an option's expected life. As a result, the financial statements include amounts that are based upon our best estimates and judgments relating to the expenses recognized for stock-based compensation.

In the past, the Company granted restricted stock subject to market or performance conditions that vest based on the satisfaction of the conditions of the award. Unvested restricted stock entitles the grantees to dividends, if any, with voting rights determined in each agreement. The fair market values of market condition-based awards are determined using the Monte Carlo simulation method. The Monte Carlo simulation method is subject to variability as several factors utilized must be estimated, including the derived service period, which is estimated based on the Company's judgment of likely future performance and the Company's stock price volatility. The fair value of performance-based awards is determined using the market closing price on the grant date. Derived service periods and the periods charged with compensation expense for performance-based awards are estimated based on the Company's judgment of likely future performance and may be adjusted in future periods depending on actual performance.

Preferred Stock

The Company applies the guidance enumerated in FASB ASC 480-10, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("ASC 480-10") when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value in accordance with ASC 480-10. All other issuances of preferred stock are subject to the classification and measurement principles of ASC 480-10. Accordingly, the Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders' equity.

Recently Issued Accounting Pronouncements

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. These amendments are effective prospectively for reporting periods beginning on or after December 15, 2014, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective as of the first interim period within annual reporting periods beginning on or after December 15, 2018, and will replace most existing revenue recognition guidance in U.S. GAAP. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method or determined the effect of the standard on our financial position, results of operations, cash flows, or presentation thereof.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718). The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going concern (Subtopic 205-40). The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The pronouncement is effective for reporting periods beginning after December 15, 2016. The adoption of this ASU 2014-15 is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). The objective is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of the financial statements. ASU No. 2015-01 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The adoption of ASU 2015-01 is not expected to have a significant impact on the Company's consolidated financial position or results of operations.

In May 1, 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU No. 2015-05") to reduce the diversity in practice, and reduce the costs and complexity of assessing fees paid in a Cloud Computing Arrangements ("CCA"). While the new standard does not provide explicit guidance on how to account for fees paid in a CCA, it does provide guidance on which existing accounting model should be applied. ASU No. 2015-05 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company expects to adopt this guidance during its 2016 fiscal year and does not expect it will have a significant impact on its consolidated results of operations, financial condition and cash flows.

Other authoritative guidance issued by the FASB (including technical corrections to the FASB Accounting Standards Codification), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to have a material effect on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by Item 8 are submitted in a separate section of this report, beginning on Page F-1, and are incorporated herein and made apart hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. **CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our management, including our chief executive officer, who is our principal executive officer, and our chief financial officer, who is our principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2015, the end of the period covered by this Annual Report. The term "disclosure controls and procedures," as set forth in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2015 our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were ineffective due to the material weakness described below. As a result, the disclosure controls and procedures were ineffective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reporting within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Controls Over Financial Reporting

We completed the acquisition of Appia, Inc. (Appia) on March 6, 2015, less than one month before our fiscal year end. Management considers this transaction to be material to our consolidated financial statements and believes that the internal controls and procedures of Appia have a material effect on our internal control over financial reporting. We are currently in the process of incorporating the internal controls and procedures of Appia into our internal controls over financial reporting and extending our compliance program to include Appia. We have excluded Appia from the scope of our fiscal period ended March 31, 2015 assessment of internal control over financial reporting as we believe is permitted by the published interpretations of the staff of the Securities and Exchange Commission regarding business combinations.

In addition, on February 27, 2015 the Company hired a new Chief Accounting Officer.

Other than the Appia acquisition and the hiring of a new Chief Accounting Officer, there were no changes in our internal controls over financial reporting or in other factors identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal period ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. As noted above, this evaluation excluded Appia from the scope of our fiscal period ended March 31, 2015 assessment of internal control over financial reporting. Based on this evaluation under the framework in Internal Control – Integrated Framework, our management concluded that our internal controls over financial reporting were ineffective as of March 31, 2015 because of the material weakness described below.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness is associated with the Financial Close and Reporting process and relates to an accumulation of significant deficiencies, which when considered in aggregate, rise to the level of a material weakness. The deficiencies are related to: inadequate accounting systems – including information technology systems directly related to financial statement processes, lack of formal accounting policies, processes & technical accounting resources, and a reliance on manual processes. The material weakness identified above is substantially similar to previous material weaknesses that have been disclosed – which as of March 31, 2015 have not been fully remediated.

Specifically, the nature of the material weaknesses stem primarily from: the company’s accounting system is not consistently designed or implemented in each of the company’s subsidiaries and lacks an integrated consolidation module and accounting employee turnover and a lack of formal accounting policies and procedures has resulted in the inadequate design of controls, separation of duties, a heavy reliance on manual processes in the areas of consolidation & disbursements, and the inadequate review of transactions.

In light of the material weakness in internal control over financial reporting described above, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Despite the material weakness in our internal controls over financial reporting, we believe that the financial statements included in our Form 10-K for the period ended March 31, 2015 fairly present, in all material respects, our financial condition, results of operations, changes in stockholders’ deficiency and cash flows for the periods presented.

The foregoing has been approved by our management, including our Chief Executive Officer and Chief Financial Officer, who have been involved with the reassessment and analysis of our internal control over financial reporting.

SingerLewak LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting. This report is included in Part II, Item 8 of this 10K.

Remedial Actions

We have taken and completed certain actions, with other planned actions to be taken over the next 12 months to remediate the material weakness.

Completed Actions

- Hired a Chief Accounting Officer “CAO” on February 27, 2015. Additionally, as of March 31, 2015, the Company hired 3 accounting staff, who will be located in Austin, Texas, and will be replacing the 3 accounting staff individuals from Los Angeles.
- All subsidiaries are utilizing a limited functional version of SAP, the Company’s accounting ERP system.
- Implemented a management representation letter in which key members of management and accounting/finance staff attest to certain questions related to the financial statements.
- Implemented a Company signature authority policy which outlines requirements and signing authority for executing contracts.

Planned Actions

- Expect to have 1 additional staff accountant on board in Asia Pacific prior to June 30, 2015.
- Expect to consolidate all accounting related decisions under the direction of the CAO prior to June 30, 2015.
- Continue working with a third party to document and remediate weaknesses, and to structure the Company’s accounting/finance department to meet SOX 404 (b) requirements.

- Continue to utilize third party accounting experts to augment Company accounting staff as necessary.
- Finalize the system implementation related to SAP including a more automated consolidation system and additional functionality to reduce current manual processes.
- Implement a billing, disbursement and stock option accounting system and integrate with SAP.
- Document key accounting policies and internal control procedures for significant accounting areas with an emphasis on implementing additional documented review and approval procedures and automated controls within the Company's accounting system.
- Evaluate accounting and finance headcount resources globally to ensure that resources are sufficient to meeting the accounting and finance requirements of the Company.
- Conduct formal training related to key accounting policies, internal controls, and SEC compliance will be delivered to all key personal which have a direct and indirect impact on the transactions underlying the financial statements.
- Implement Information Technology documentation and new controls that have an impact on financial reporting.

ITEM 9B. OTHER INFORMATION

On June 10, 2015 the Board of Directors appointed Jud Bowman and Craig Forman to the Compensation Committee and Audit Committee, respectively.

On June 10, 2015 the CEO, acting pursuant to full discretionary authority previously provided by the Compensation Committee, approved a discretionary bonus to Mr. Schleimer, CFO in the amount of $81 for overall performance and significant contributions related to the Appia acquisition.

On June 11, 2015, (the "Closing Date"), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the "Borrower") and Silicon Valley Bank, a California corporation ("Bank") entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. The credit facility will continue to be secured by substantially all of the assets of the Borrower and our assets. Additionally, the credit facility requires that Digital Turbine USA, Inc. ("DT USA"), a sister company to the Borrower, provide security in all its assets for the benefit of Bank, including its intellectual property, by June 25, 2015. DT USA is also required to become a guarantor under the credit facility by June 25, 2015. In connection with the credit facility, DT USA will also become a secured guarantor of all obligations owed to North Atlantic SBIC IV, L.P. ("North Atlantic") under those certain Purchase Agreements dated April 4, 2013 and October 31, 2013, by and between the Borrower and North Atlantic, and those certain 10.00% Subordinated Debentures dated April 4, 2013 and October 31, 2013, from the Borrower made payable to the order of North Atlantic, by June 25, 2015.

The revolving credit facility bears interest at a floating annual rate equal to (a) during any month for which the Borrower maintained an adjusted quick ratio (as customarily defined) of not less than 1.00:1.00 as of the last day of a month, the prime rate as reported by The Wall Street Journal, plus 1.75% and (b) at all other times, the prime rate as reported by The Wall Street Journal, plus 2.75%.

The amended facility includes a financial covenant for minimum trailing three-month adjusted EBITDA, which will not be applicable if (a) there are no advances outstanding under the revolving facility, or (b) if our cash and cash equivalents held at the Bank or Bank's Affiliates is greater than or equal to $15,000. EBITDA is defined as our consolidated (w) net income (as customarily defined), plus (x) interest expense, plus (y) to the extent deducted in the calculation of net income, depreciation expense and amortization expense, plus (z) income tax expense.

The obligations under the amended credit facility continue to be guaranteed by us.

The preceding description of the Third Amended and Restated Loan and Security Agreement is qualified in its entirety by reference to the entire text of the Amended and Restated Loan Agreement, filed as Exhibit 10.52 to this Current Report on Form 10K and incorporated herein by reference.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders (or Form 10-K/A).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders (or Form 10-K/A).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders (or Form 10-K/A).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders (or Form 10-K/A).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2015 Annual Meeting of Stockholders (or Form 10-K/A).

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K.

(1) Financial Statements: Our following financial statements are included in a separate section of this Annual Report on Form 10-K commencing on the pages referenced below:

Digital Turbine, Inc. and Subsidiaries Consolidated Financial Statements

(2) Financial Statement Schedules: All financial statement schedules called for under Regulation S-X are not required under the related instructions, are not material or are not applicable and, therefore, have been omitted or are included in the consolidated financial statements or notes thereto included elsewhere in this Annual Report on Form 10-K.

(3) Exhibits: See Item 15(b) below.

(b) The following documents are filed as exhibits to this Annual Report on Form 10-K or have been previously filed with the SEC as indicated and are incorporated herein by reference:

Exhibit No.	Description
2.1	Amended Disclosure Statement filed with the United States Bankruptcy Court for the Southern District of New York, incorporated by reference to our Annual Report on Form 10-KSB (File No. 000-10039), filed with the Commission on December 2, 2005.
2.2	Amended Plan of Reorganization filed with the United States Bankruptcy Court for the Southern District of New York, incorporated by reference to our Annual Report on Form 10-KSB (File No. 000-10039), filed with the Commission on December 2, 2005.
2.3	Order Confirming Amended Plan of Reorganization issued by the United States Bankruptcy Court for the Southern District of New York, incorporated by reference to our Annual Report on Form 10-KSB (File No. 000-10039), filed with the Commission on December 2, 2005.
2.4	Plan and Agreement of Merger, dated September 27, 2007, of NeuMedia Media, Inc., a Delaware corporation, and Mediavest, Inc., a New Jersey corporation, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
2.5	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
2.6	Agreement and Plan of Merger, dated as of December 31, 2007, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 2, 2008.
2.7	Amendment to Agreement and Plan of Merger, dated as of February 12, 2008, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008.
2.8	Certificate of Ownership merging Mandalay Digital Group, Inc. into Neumedia, Inc., dated February 2, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
2.9	Agreement and Plan of Merger, dated November 13, 2014, by and among Mandalay Digital Group, Inc., DTM Merger Sub, Inc., and Appia, Inc., incorporated by reference to our Amended Current Report on Form 8-K/A (File No. 001-35958), filed with the Commission on November 18, 2014.
3.1	Certificate of Incorporation, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
3.2	Certificate of Amendment of Certificate of Incorporation, dated August 14, 2012, incorporated by reference to Appendix B of the Registrant’s Definitive Information Statement on Form 14-C (File No. 000-10039), filed with the Commission on July 10, 2012.
3.3	Certificate of Amendment of Certificate of Incorporation, dated March 28, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013.
3.4	Certificate of Correction of Certificate of Amendment, dated April 9, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013
3.5	Certificate of Amendment of Certificate of Incorporation, as amended, filed with the Secretary of State of the State of Delaware on January 13, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 16, 2015.

3.6	Bylaws, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
3.7	Certificate of Amendment of the Bylaws of NeuMedia, Inc., dated February 2, 2012, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 7, 2012.
3.8	Certificate of Amendment of the Bylaws dated March 6, 2015 (incorporated by reference to our Current Report on Form 8-K (File No. 001-10039) filed with the Commission on March 11, 2015).
3.9	Amendment of Bylaws of Digital Turbine, Inc., adopted March 17, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 20, 2015.
4.1	Form of Warrant to Purchase Common Stock dated September 14, 2006, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on September 20, 2006.
4.2	Form of Warrant to Purchase Common Stock dated October 12, 2006, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 18, 2006.
4.3	Form of Warrant to Purchase Common Stock dated December 26, 2006, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 3, 2007.
4.4	Form of Warrant Issued to David Chazen to Purchase Common Stock dated August 3, 2006, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on August 9, 2006.
4.5	Form of Warrant issued to Investors, dated October 23, 2008, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 27, 2008.
4.6	Warrant dated September 23, 2009 issued to Vivid Entertainment, LLC and related Registration Right Agreement, incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on November 16, 2009
4.7	Form of Warrant issued to Investors, dated June 21, 2010, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 23, 2010.
4.8	Form of Senior Secured Convertible Note due July 9, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 23, 2010.
4.9	Form of Warrant Relating to Equity Financing Binding Term Sheet, dated as of March 1, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.10	Form of Warrant Relating to Equity Financing Binding Term Sheets, dated as of March 5, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.11	Amended and Restated Warrant Issue Agreement, dated January 1, 2011, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.12	Allonge to Warrant, dated January 1, 2011, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.13	Common Stock Purchase Warrant dated March 6, 2015 issued to North Atlantic SBIC IV, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.1	2007 Employee, Director and Consultant Stock Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007. †
10.1.1	Form of Non-Qualified Stock Option Agreement, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007†

10.2	Amendment to 2007 Employee, Director and Consultant Stock Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008. †
10.3	Second Amendment to 2007 Employee, Director and Consultant Stock Plan., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 28, 2008. †
10.4	Form of Restricted Stock Agreement, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 20, 2009. †
10.5	Twistbox 2006 Stock Incentive Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008. †
10.6	Form of Stock Option Agreement for Twistbox 2006 Stock Incentive Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008. †
10.7	Series A Convertible Preferred Stock Purchase Agreement dated October 12, 2006 between the Company and Trinad Management, LLC, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on October 18, 2006.
10.8	Warrant, dated December 23, 2011, made by NeuMedia, Inc. in favor of Adage Capital Management L.P., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 24, 2012. †
10.9	Letter Agreement, dated December 23, 2011, made by and between NeuMedia, Inc. and Adage Capital Management L.P., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 24, 2012. †
10.10	Letter Agreement, dated December 28, 2011, made by and between NeuMedia, Inc. and Trinad Management, LLC., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 24, 2012. †
10.11	Restricted Stock Agreement, dated January 1, 2011, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
10.12	Employment Agreement, dated as of December 28, 2011, by and between NeuMedia, Inc. and Peter Adderton., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 4, 2012.†
10.13	Form of Indemnification with Directors and Executive Officers, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 10, 2012. †
10.14	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Peter Adderton, for 9,037,500 shares of common stock, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012. †
10.15	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Robert Ellin, for 3,600,000 shares of common stock, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012. †
10.16	Restricted Stock Agreement, dated December 28, 2011 between Mandalay Digital Group, Inc. and Robert Ellin, for 3,400,000 shares of common stock, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.†
10.17	Restricted Stock Agreement, dated December 28, 2011, between Mandalay Digital Group, Inc. and Robert Ellin, for 1,000,000 shares of common stock, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012. †
10.18	Amendment to Restricted Stock Agreement, dated May 18, 2012, between Mandalay Digital Group, Inc. and Peter Adderton, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012. †

10.19 Amendment to Restricted Stock Agreements, dated May 18, 2012, between Mandalay Digital Group, Inc. and Robert Ellin, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012. †

10.20 Amended and Restated 2011 Equity Incentive Plan of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.

10.21 Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement of Mandalay Digital Group, Inc, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.

10.22 Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.

10.23 Employment Agreement, dated as of September 16, 2012, by and between Mandalay Digital Group, Inc. and William Stone, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on September 20, 2012.

10.24 Share Purchase Agreement, dated August 11, 2012, as amended by a first amendment thereto, dated September 13, 2012 among Mandalay Digital Group, Inc., MDG Logia Holdings, Ltd., Logia Group, Ltd., and S.M.B.P. IGLOO Ltd. ., incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on November 19, 2012.

10.25 Registration Rights and Lock Up Agreement, dated September 13, 2012, among Mandalay Digital Group, Inc., MDG Logia Holdings, Ltd., Logia Group, Ltd., and S.M.B.P. IGLOO Ltd., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on November 19, 2012.

10.26 Share Sale Agreement, dated April 12, 2013, among Digital Turbine Australia Pty Ltd, Digital Turbine, Inc., the Company, and certain other parties set forth therein, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.

10.27 Convertible Note Deed, dated April 12, 2013, among Digital Turbine Australia Pty Ltd., the Company and Zingo (Aust) Pty Ltd., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.

10.28 Intercreditor Deed, dated April 12, 2013, among Zingo (Aust) Pty. Ltd., Digital Turbine Australia Pty. Ltd., the Company and the Senior Creditors set forth therein, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.

10.29 Security Deed, dated April 12, 2013, among Digital Turbine Australia Pty. Ltd., and Zingo (Aust) Pty. Ltd., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.

10.30 Registration Rights & Lock Up Agreement, dated April 12, 2013 between the Company and various shareholders set forth therein, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.

10.31 Amendment No. 1 to the Convertible Note Deed, dated July 11, 2013, by and between DT Australia, the Company and Zingo (Aust) Pty Ltd., incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on July 17, 2013.

10.32 E-mail acknowledgement, effective as of July 11, 2013 regarding the Amendment No. 1 to the Convertible Note Deed, dated July 11, 2013, by and between DT Australia, the Company and Zingo (Aust) Pty Ltd., incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on July 17, 2013.

10.33 Form of Equity Financing Binding Term Sheet dated April 11, 2013, incorporated by reference to our Current Report on Form 10-Q (File No. 001-35958) filed with the Commission on August 14, 2013.

10.34	Form of Equity Financing Binding Term Sheet dated May 23, 2013 with Windsor Media, Inc., incorporated by reference to our Current Report on Form 10-Q (File No. 001-35958) filed with the Commission on August 14, 2013.
10.35	Convertible Note Financing Agreement, dated August 14, 2013, by and between the Company and Taja, LLC, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on August 15, 2013.
10.36	Support Agreement, dated November 13, 2014, between Mandalay Digital Group, Inc. and its Stockholders, incorporated by reference Registrant's Amended Current Report on Form 8-K/A (File No. 001-35958), filed with the Commission on November 18, 2014.
10.37	Securities Purchase Agreement by and among Appia, Inc., Digital Turbine, Inc., and North Atlantic SBIC IV, L.P., dated March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.38	Unconditional Secured Guaranty and Pledge Agreement entered into by Digital Turbine, Inc. in favor of North Atlantic SBIC IV, L.P. as of March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.39	Unconditional Secured Guaranty and Pledge Agreement entered into by Digital Turbine, Inc. in favor of Silicon Valley Bank as of March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.40	API Service Agreement dated July 5, 2011 with Vodafone Hutchison Australia Pty Limited incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-4/A (File No. 333-200695) filed with the Commission on January 27, 2015.
10.41	IT & Content Services Agreement dated October 11, 2011 with Telstra Corporation Limited incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-4/A (File No. 333-200695) filed with the Commission on January 27, 2015.
10.42	Employment Agreement, effective October 1, 2013, between the Company and Peter Adderton, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on September 24, 2013. †
10.43	Employment Agreement, effective November 22, 2013, between the Company and Jeffrey Klausner, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on November 29, 2013. †
10.44	Employment Agreement, effective November 25, 2013 between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on November 29, 2013. †
10.45	General Release Agreement, effective July 8, 2014, between the Company and Jeffrey Klausner, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on July 9, 2014. †
10.46	Employment Agreement, effective July 8, 2014, between the Company and Andrew Schleimer, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on July 9, 2014. †
10.47	Employment Agreement, effective September 9, 2014, between the Company and Bill Stone, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on September 15, 2014. †
10.48	Employment Agreement, effective February 10, 2015, between the Company and James Alejandro, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 11, 2015. †
10.49	Separation Agreement between Mandalay Digital Group, Inc. and Peter A. Adderton, dated January 15, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 16, 2015.
10.50	Board Equity Ownership Policy, as amended, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on June 25, 2014. †

10.51	Corporate office lease agreement commencing on October 1, 2015, and ending on December 31, 2022 between Thomas C. Calhoon (Landlord) and Digital Turbine, Inc. (Tenant). *
10.52	Third Amended and Restated Loan and Security Agreement effective June 11, 2015 between Digital Turbine Media and Silicon Valley Bank. *
21.1	List of Subsidiaries. *
23.1	Consent of Independent Registered Public Accounting Firm. *
31.1	Certification of William Stone, Principal Executive Officer. *
31.2	Certification of Andrew Schleimer, Principal Financial Officer. *
32.1	Certification of William Stone, Principal Executive Officer pursuant to U.S.C. Section 1350. **
32.2	Certification of Andrew Schleimer, Principal Financial Officer pursuant to U.S.C. Section 1350. **
101	INS XBRL Instance Document. *
101	SCH XBRL Schema Document. *
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document. *
101	DEF XBRL Taxonomy Extension Definition Linkbase Document. *
101	LAB XBRL Taxonomy Extension Label Linkbase Document. *
101	PRE XBRL Taxonomy Extension Presentation Linkbase Document. *

* Filed herewith

** The certifications attached as Exhibit 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Digital Turbine Inc under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Form 10-K, irrespective of any general incorporation language contained in such filing.

† Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: June 15, 2015

Digital Turbine, Inc.

By: /s/ William Stone
William Stone
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Exchange Act, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Robert Deutschman Robert Deutschman	Chairman of the Board	June 15, 2015
/s/ Peter Guber Peter Guber	Director	June 15, 2015
/s/ William Stone William Stone	Chief Executive Officer and Director (Principal Executive Officer)	June 15, 2015
/s/ Andrew Schleimer Andrew Schleimer	Chief Financial Officer (Principal Financial Officer)	June 15, 2015
/s/ James Alejandro James Alejandro	Chief Accounting Officer (Principal Accounting Officer)	June 15, 2015
/s/ Judson Bowman Judson Bowman	Director	June 15, 2015
/s/ Craig I Forman Craig I Forman	Director	June 15, 2015
/s/ Chris Rogers Chris Rogers	Director	June 15, 2015
/s/ Jeffrey Karish Jeffrey Karish	Director	June 15, 2015
/s/ Paul Schaeffer Paul Schaeffer	Director	June 15, 2015

Digital Turbine, Inc. and Subsidiaries

Consolidated Financial Statements

March 31, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Digital Turbine, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Digital Turbine, Inc. and subsidiaries (collectively, the "Company") as of March 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Out report dated June 15, 2015 expressed an opinion that the Company had not maintained effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013

/s/ SingerLewak LLP

Los Angeles, California
June 15, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Digital Turbine, Inc. and Subsidiaries

We have audited Digital Turbine, Inc. and subsidiaries' (collectively, the "Company") internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded DT Media from its assessment of internal control over financial reporting as of March 31, 2015, because it was acquired by the Company in a purchase business combination in the fourth quarter of 2015. We have also excluded DT Media (formerly Appia, Inc.) from our audit of internal control over financial reporting. DT Media is a wholly owned subsidiary whose total assets and net loss represent approximately 79% and 5%, respectively, of the related consolidated financial statement amounts as of and for the year ended March 31, 2015.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (c) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company's financial close and reporting process is not operating effectively, specifically related to the aggregation of deficiencies related to inadequate information technology systems, lack of formal accounting policies, processes and technical resources restraints, and a reliance on a manual close process. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2015 financial statements, and this report does not affect our report dated June 15, 2015 on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2015 and 2014 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows the years then ended and our report dated June 15, 2015 expressed an unqualified opinion.

/s/ SingerLewak LLP

Los Angeles, California
June 15, 2015

Digital Turbine, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	March 31, 2015	March 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ 7,069	$ 21,805
Restricted cash	200	200
Accounts receivable, net of allowances of $698 and $0, respectively	12,174	5,102
Deposits	109	24
Prepaid expenses and other current assets	640	350
Total current assets	20,192	27,481
Property and equipment, net	614	465
Deferred tax assets	82	3,238
Intangible assets, net	24,936	9,074
Goodwill	76,747	4,837
TOTAL ASSETS	**$ 122,571**	**$ 45,095**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 8,118	$ 2,943
Accrued license fees and revenue share	6,833	3,395
Accrued compensation	2,184	1,681
Current portion of long term debt	3,600	-
Deferred tax liabilities	217	2,987
Other current liabilities	3,000	900
Total current liabilities	23,952	11,906
Long term debt, net of discounts of $910 and $0, respectively	7,090	-
Long term contingent liability, less discount of $0 and $762, respectively	-	238
Total liabilities	$ 31,042	$ 12,144
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at $0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of $1,000)	100	100
Common stock, $0.0001 par value: 200,000,000 shares authorized; 57,917,565 issued and 57,162,967 outstanding at March 31, 2015; 38,143,028 issued and 37,388,429 outstanding at March 31, 2014;	7	7
Additional paid-in capital	276,500	193,422
Treasury stock (754,599 shares at March 31, 2015 and March 31, 2014)	(71)	(71)
Accumulated other comprehensive loss	(52)	(199)
Accumulated deficit	(184,955)	(160,308)
Total stockholders' equity	91,529	32,951
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 122,571**	**$ 45,095**

Consolidated Statements of Operations and Comprehensive Loss

(In thousands, except per share amounts)

	12 Months Ended March 31, 2015	12 Months Ended March 31, 2014
Net revenues	$ 28,252	$ 24,404
Cost of revenues		
License fees and revenue share	20,110	14,789
Other direct cost of revenues	2,010	1,769
Total cost of revenues	22,120	16,558
Gross profit	6,132	7,846
Operating expenses		
Product development	7,905	7,869
Sales and marketing	2,933	1,915
General and administrative	19,031	13,432
Impairment of intangible assets	-	154
Total operating expenses	29,869	23,370
Loss from operations	(23,737)	(15,524)
Interest and other income / (expense), net		
Interest income / (expense)	(234)	(1,407)
Foreign exchange transaction gain	32	33
Change in fair value of warrant derivative liabilities loss	-	(811)
Loss on extinguishment of debt	-	(442)
Gain / (loss) on settlement of debt	(9)	74
Gain on disposal of fixed assets	2	-
Gain on change on valuation of long term contingent liability	-	603
Other expense	46	-
Total interest and other income / (expense)	(163)	(1,950)
Loss from operations before income taxes	(23,900)	(17,474)
Income tax provision / (benefit)	747	(272)
Net loss from continuing operations, net of taxes	(24,647)	(17,202)
Loss from operations of discontinued component	-	(1,502)
Net loss	$ (24,647)	$ (18,704)
Other comprehensive income:		
Foreign currency translation adjustment	$ 147	$ 67
Comprehensive loss:	$ (24,500)	$ (18,637)
Basic and diluted net loss per common share	$ (0.63)	$ (0.68)
Continuing operations	$ (0.63)	$ (0.63)
Discontinued operations	$ -	$ (0.05)
Net loss	$ (0.63)	$ (0.68)
Weighted average common shares outstanding, basic and diluted	38,967	27,478

Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total
Balance at March 31, 2013	18,467,894	$ 7	100,000	$ 100	754,599	$ (71)	$142,571	$ (266)	$ (141,604)	$ 737
Net loss	—	—	—	—	—	—	—	—	(18,704)	(18,704)
Foreign currency translation	—	—	—	—	—	—	—	67	—	67
Fractional shares due to split	(118)	—	—	—	—	—	—	—	—	—
Warrants exercised	992,046	—	—	—	—	—	—	—	—	—
Options exercised	154,048	—	—	—	—	—	—	—	—	—
Vesting of shares issued to employee	—	—	—	—	—	—	640	—	—	640
Vesting of options issued to employees	—	—	—	—	—	—	1,938	—	—	1,938
Vesting of restricted stock for services	—	—	—	—	—	—	1,351	—	—	1,351
Shares of restricted stock issued for services	254,020	—	—	—	—	—	390	—	—	390
Vesting of restricted stock related to acquisition	—	—	—	—	—	—	374	—	—	374
Issuance of common stock for financing costs related to acquisition	109,964	—	—	—	—	—	472	—	—	472
Issuance of common stock related to acquisition	1,516,044	—	—	—	—	—	5,485	—	—	5,485
Change in fair value of convertible debt	—	—	—	—	—	—	313	—	—	313
Issuance of common stock for cash	771,428	—	—	—	—	—	2,700	—	—	2,700
Issuance of convertible debt	—	—	—	—	—	—	1,064	—	—	1,064
Vesting of warrants issued for services rendered	—	—	—	—	—	—	406	—	—	406
Issuance of warrants and extend existing warrants related to convertible										

debt	—	—	—	—	—	—	476	—	—	476
Issuance of shares related to convertible debt	80,000	—	—	—	—	—	248	—	—	248
Convertible debt converted to stock	4,783,378	—	—	—	—	—	4,373	—	—	4,373
Shares issued as settlement of debt	9,750	—	—	—	—	—	24	—	—	24

Issuance of common stock as part of public offering, less costs	10,249,975	—	—	—	—	—	30,597	—	—	30,597
Balance at March 31, 2014	37,388,429	7	100,000	100	754,599	(71)	193,422	(199)	(160,308)	32,951
Net loss	—	—	—	—	—	—	—	—	(24,647)	(24,647)
Foreign currency translation	—	—	—	—	—	—	—	147	—	147
Vesting of shares issued to employees	80,064	—	—	—	—	—	576	—	—	576
Shares vested in connection with a separation agreement	—	—	—	—	—	—	1,967	—	—	1,967
Cancellation of shares issued to employee	(8,131)	—	—	—	—	—	(27)	—	—	(27)
Vesting of options issued to employees	—	—	—	—	—	—	3,292	—	—	3,292
Vesting of restricted stock for services	119,305	—	—	—	—	—	490	—	—	490
Shares issued as settlement of debt	65,000	—	—	—	—	—	248	—	—	248
Issuance of common stock related to debt	200,000	—	—	—	—	—	788	—	—	788
Shares issued to employees assumed in acquisition	67,827	—	—	—	—	—	42	—	—	42
Options assumed in acquisition	—	—	—	—	—	—	633	—	—	633
Warrant issued to debtholder in connection with new debt	—	—	—	—	—	—	156	—	—	156
Issuance of common stock related to acquisition	18,883,723	—	—	—	—	—	74,402	—	—	74,402
Options exercised	53,333	—	—	—	—	—	136	—	—	136
Warrant exercised	313,417	—	—	—	—	—	375	—	—	375
Balance at March 31, 2015	57,162,967	$ 7	100,000	$ 100	754,599	$ (71)	$276,500	$ (52)	$(184,955)	$ 91,529

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended March 31, 2015	Year Ended March 31, 2014
Cash flows from operating activities		
Net loss	$ (24,647)	$ (18,704)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on disposal of discontinued operations, net of taxes	-	820
Depreciation and amortization	2,108	1,856
Change in allowance for doubtful accounts	698	-
Amortization of debt discount	34	187
Interest and PIK interest accrued	77	109
Finance costs	-	1,173
Fair value of financing costs related to conversion options	-	470
Stock and stock option compensation	5,850	1,938
Stock issued for services	490	2,755
Warrants issued for services	-	406
Stock issued as settlement of debt with a supplier	-	24
Settlement of debt with a supplier	-	51
Revaluation of contingent liability	-	(603)
Impairment of intangibles	-	154
Increase in fair value of derivative liabilities	-	811
Increase in restricted cash	-	(200)
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	(406)	(734)
Deposits	(63)	523
Deferred tax assets	3,156	-
Prepaid expenses and other current assets	(142)	(2,566)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	(379)	(893)
Accrued license fees and revenue share	2,988	737
Accrued compensation	325	650
Other liabilities and other items	(4,589)	3,229
Net cash used in operating activities	(14,500)	(7,807)
Cash flows from investing activities		
Purchase and disposal of property and equipment, net	(67)	(207)
Settlement of contingent liability	(49)	-
Cash used in acquisition of assets	(2,125)	-
Cash used in acquisition of subsidiary	-	(1,287)
Cash acquired with acquisition of subsidiary	1,363	513
Net cash used in investing activities	(878)	(981)
Cash flows from financing activities		
Repayment of debt obligations	-	(3,657)
Issuance of shares for cash	-	33,297
Options exercised	136	-
Warrant exercised	375	-
Net cash provided by financing activities	511	29,640
Effect of exchange rate changes on cash and cash equivalents	131	(196)
Net change in cash and cash equivalents	(14,736)	20,656
Cash and cash equivalents, beginning of period	21,805	1,149
Cash and cash equivalents, end of period	$ 7,069	$ 21,805
Supplemental disclosure of cash flow information:		
Taxes paid	$ 2	$ 74
Supplemental disclosure of non-cash investing and financing activities:		
Contingency earn out on acquisition of subsidiary, net of discount	$ -	$ 238
Common stock of the Company issued for acquisition of subsidiary	$ 75,035	$ 4,449
Cashless exercise of options to purchase common stock of the Company	$ -	$ 854
Cashless exercise of warrants to purchase common stock of the Company	$ -	$ 5,914

Notes to Audited Consolidated Financial Statements

(in thousands, except share and per share amounts)

1. Organization

Digital Turbine was incorporated in the state of Delaware in 1998. Digital Turbine through its subsidiaries, works at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, app advertisers, device OEMs and other third parties to enable them to effectively monetize mobile content and generate higher value user acquisition.

2. Liquidity

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern.

Our primary sources of liquidity have historically been issuance of common and preferred stock and convertible debt. In fiscal year 2014, the Company raised $33,300, through equity financings. The Company did not raise any capital through equity issuance in fiscal year 2015. The Company filed a shelf registration covering $100,000 of primary securities which would enable the Company to raise additional capital should it need it. The registration statement was declared effective by the SEC on April 24, 2015. The Company believes that it will have sufficient resources to continue operations through March 31, 2016; however, additional capital would likely be needed to pursue new opportunities of inorganic growth not currently in our main business plans. As of March 31, 2015, the Company had approximately $7,000 of cash and cash equivalents. Additionally, the Company currently has a $3,500 revolving credit facility in place with Silicon Valley Bank which it uses to fund working capital requirements, as needed. As of March 31, 2015 the outstanding balance on the revolving credit facility was $3,000.

Until the Company becomes cash flow positive, the Company anticipates that its primary source of liquidity will be cash on hand and access to the $3,500 revolving credit facility. In addition, the Company may make acquisitions, make new investments in under-capitalized opportunities or invest in organic opportunities including RTB, integration of Content/Pay into advertising infrastructure, new product development, and may need to raise additional capital through future debt or equity financing to provide for greater flexibility to fund any such acquisitions and such organic growth opportunities. Additional financing may not be available on acceptable terms or at all. If the Company issues additional equity securities to raise funds, the ownership percentage of its existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the Company, which, in turn, is dependent upon the Company's ability to generate positive cash flows from operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue its existence.

On June 11, 2015, (the "Closing Date"), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the "Borrower") and Silicon Valley Bank, a California corporation ("Bank") entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. Refer to section 9B for an update on the Silicon Valley Bank revolving credit facility.

3. Acquisitions and Disposals

Mirror Image Access

On April 12, 2013, Digital Turbine acquired all of the issued and outstanding stock of Mirror Image Australia Holdings, which directly or indirectly owns subsidiaries Mirror Image Access (Australia) Pty Ltd, MIA Technology Australia Pty Ltd and MIA Technology IP Pty Ltd.

The purpose of the acquisition was an effort not only to build on the Company's current distribution network, but to enhance its mobile content infrastructure with the intellectual property acquired in the purchase.

The acquisition of was capitalized through a combination of intercompany debt and the issuance of equity.

The purchase consideration for the transaction was comprised of cash, a note, and common stock of the Company, as follows:

(1) At closing AUD 1,220 in cash, translated to $1,287 for U.S. GAAP reporting purposes;

(2) Convertible Note payable of AUD 2,280, translated to $2,404;

(3) Shares of common stock of the Company (the “Closing Shares”) equivalent to AUD 3,500, translated to $3,691 and under the agreement, converted to shares at $3.65 per share, or 1,011,164 shares of the common stock of the Company. The closing price of the stock on that day was $4.40 per share, for a total value of $4,449.

The Closing Shares are subject to a Registration Rights Agreement that provides for piggyback rights for 3 years and were included on the Company’s Form S-3 filed August 30, 2013, and subsequently made effective on October 31, 2013.

The following table summarizes the final fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash	$	513
Accounts receivable		2,809
Prepaid expenses and other assets		896
Property, plant and equipment		300
Customer relationships		1,600
Developed technology		3,400
Trade names / trademarks		54
Library		300
Goodwill		2,654
Accounts payable		(1,151)
Accrued liabilities		(2,890)
Accrued compensation		(345)
Purchase price	$	8,140

In addition to the value assigned to the acquired workforce, the Company recorded the excess of the purchase price over the estimated fair value of the assets acquired as an increase in goodwill. This goodwill arises because the purchase price reflects the strategic fit and resulting synergies that the acquired business brings to the Company’s existing operations. In the fiscal year ended March 31, 2014, the Company recorded an impairment charge of $54 to write down trade names pursuant to its decision to rename and rebrand trade names associated with Logia and MIA. In the period ended June 30, 2014, the Company finalized the purchase price allocation which resulted in an adjustment from intangibles to goodwill of $1,472.

The amortization period for the intangible assets acquired in the MIA transaction is as follows:

	Remaining Useful Life
Customer relationships	14
Developed technology	5
Trade names / trademarks	5
Library	5
Goodwill	Indefinite

Xyologic Mobile Analysis

On October 9, 2014, the Company acquired certain intellectual property assets of Xyologic Mobile Analysis, GmbH ("XYO"), related to mobile application (“app”) recommendation, search and discovery. The Company is in the process of integrating the acquired technology into the DT IQ software solution.

The acquisition was effected pursuant to an Asset Purchase Agreement dated October 8, 2014 (the “Asset Purchase Agreement”). The aggregate purchase price was US $2,500, paid in cash, subject to a twelve (12) month holdback of US $375, which acts as partial security for potential future indemnification claims.

The purchase price fair values have been allocated to goodwill of $1,000 and developed technology of $1,500. The Company finalized the purchase price allocation in the period ended March 31, 2015.

DT Media (Appia)

On March 6, 2015, the Company completed the merger of Appia, Inc. ("Appia") into its wholly owned subsidiary, DTM Merger Sub, Inc. The surviving entity was renamed Digital Turbine Media, Inc. ("DT Media"). Under the Merger Agreement, the Company is to issue shares of its common stock in exchange for all of Appia's outstanding common and preferred stock and warrants.

The number of shares that were issued by the Company is subject to adjustment based on Appia's working capital and net indebtedness as of the closing date of the merger. Based on Appia's working capital and net indebtedness as of March 6, 2015, the Company issued 18,883,723 shares of its common stock and reserved 245,955 of its common stock for Appia's equity awards outstanding at the closing date that are assumed by the Company and converted into equity awards for Digital Turbine common stock. Vested equity awards held by Appia's employees and service providers are considered part of the purchase price; accordingly, the estimated purchase price includes an estimated fair value of equity awards to be issued by the Company of approximately $633. The value of the Company's common stock used to estimate the purchase price was $3.94 per share, the closing price on March 6, 2015. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition, based on information available as of March 31, 2015. These preliminary fair values differ from the estimated fair values reflected in the pro forma financial information included in the Company's previously filed S-4 to the availability of additional and updated information.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash	$	1,363
Accounts receivable		7,364
Prepaid expenses and other assets		171
Property, plant and equipment		229
Developed technology		7,700
Advertiser relationships		6,500
Publisher relationships		3,200
Trade names / trademarks		380
Goodwill		69,438
Accounts payable		(5,179)
Accrued expenses		(4,531)
Debt		(11,600)
Purchase price	$	75,035

The amortization period for the intangible assets acquired in the DT Media, Inc. transaction is as follows:

	Remaining Useful Life
Developed technology	4 years
Trade names / Trademarks	2 years
Publisher relationships	2 years
Advertiser relationships	2 years
Goodwill	Indefinite

The pro forma financial information of the Company's consolidated operations if the acquisition of DT Media, Inc. had occurred as of April 1, 2013 is presented below.

	Unaudited Twelve Months Ended March 31,	
	2015	2014
Revenues	$ 57,978	$ 73,533
Cost of goods sold	45,580	52,638
Gross profit	12,398	20,895
Operating expenses	43,644	37,072
Loss from operations	31,247	16,177
Non-operating expense	3,372	1,950
Provision for income taxes	541	864
Net loss	$ 35,160	$ 18,991
Basic and diluted loss per share	$ 0.90	$ 0.49

The operating results of DT Media, Inc. are included in the accompanying consolidated statements of operations from the acquisition date. The combined consolidated operating results from the acquisition date to March 31, 2015 are as follows:

	Unaudited
Revenues	$ 3,251
Cost of goods sold	3,227
Gross profit	24
Operating expenses	1,194
Loss from operations	1,170
Non-operating expense	113
Provision for income taxes	-
Net loss	$ 1,283

4. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for annual financial statements. The financial statements, in the opinion of management, include all adjustments necessary for a fair statement of the results of operations, financial position and cash flows for each period presented.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation,

Revenue Recognition

Advertising

Advertising revenues are generated via direct Cost-Per-Install (CPI), Cost-Per-Placement (CPP), or Cost-Per-Action (CPA) arrangements with application developers, or indirect CPI, CPP or CPA arrangements through advertising aggregators (ad networks). Transactions are processed by the Company's software services: mobile application management through DT Ignite, and user experience and discovery through DT IQ. The Company recognizes advertising related revenue when it has persuasive evidence of an arrangement, delivery of has occurred or services have been performed, the price is fixed or determinable, and collectability is reasonably assured.

The Company recognizes as revenue the amount billed to the application developer or advertising aggregator. Revenue share payments to the carrier are recorded as a cost of revenues. The Company has evaluated its agreements with the developers and aggregators and the carriers in accordance with the guidance at FASB ASC 605-45 Revenue Recognition – Principal Agent Considerations and has concluded that it is the principal under these agreements. Key indicators that it evaluated to reach this determination include:

- The Company has the contractual relationship with the application developers or advertising aggregators (collectively, the advertisers), and we have the performance obligation to these parties;

- Through our DT Ignite and DT IQ software, we provide application installation and management as well as detailed reporting to advertisers and carriers. We are responsible for billing the advertisers, and for reporting revenues and revenue share to the carriers;

- As part of the application management process, we use our data, and post-install event data provided back to us by the advertisers, to match applications to end users. We currently target end users based on carrier, geography, demographics (including by handset type), among other attributes, by leveraging carrier data. We have discretion as to which applications are delivered to each end user;

- Pricing is established in our agreements with advertisers. We negotiate pricing with the advertisers, based on prevailing rates typical in the industry; and

- The Company is responsible for billing and collecting the gross amount from the advertiser. Our carrier agreements do not include any specific provisions that allow us to mitigate our credit risk by reducing the revenue share payable to the carrier.

In certain instances the carrier may enter directly into a CPI, CPP or CPA arrangement with a developer, where the installation will be made using the Company's DT Ignite and DT IQ software services. In these instances, the Company receives a share of the carrier's revenue, which is recognized on a net basis.

In addition to revenues from application developers and advertising aggregators, the Company may receive fees from the carriers relating to the initial set-up of the arrangements with the carriers. Set-up activities typically include customization, testing and implementation of the DT Ignite software for specific handsets. When the Company determines that the set-up fees do not have standalone value, such fees are deferred and recognized over the estimated period the carrier benefits from the set-up fee, which is generally the estimated life of the related handsets.

The Company has determined that certain set-up activities are within the scope of FASB ASC 985-605 Software Revenue Recognition and, accordingly, the Company applies the provisions of ASC 985-605 to the software components. As a result, the Company typically defers recognition of the set-up fee until all elements of the arrangement have been delivered. In those instances where the set-up fee covers ongoing support and maintenance, the fee is deferred and amortized over the term of the carrier agreement.

Content and Billing

The Company's Content and Billing revenues are derived primarily from transactions with the carriers' customers (end users). The carriers bill the end users upon the sale of content, including music, images or games, and the Company shares the end user revenues with the carrier. The end user transactions are processed by the Company's software services: white labeled mobile storefront and content management solutions through DT Marketplace, and mobile payments with direct operator billing through DT Pay. The Company recognizes Content related revenue when it has persuasive evidence of an arrangement, delivery of has occurred or services have been performed, the price is fixed or determinable, and collectability is reasonably assured.

The Company utilizes its reporting system to capture and recognize revenue due from carriers, based on monthly transactional reporting and other fees earned upon delivery of content to the end user. Determination of the appropriate amount of revenue recognized is based on the Company's reporting system, but it is possible that actual results may differ from the Company's estimates once the reports are reconciled with the carrier. When the Company receives the final carrier reports, to the extent not received within a reasonable time frame following the end of each month, the Company records any differences between estimated revenues and actual revenues in the reporting period when the Company determines the actual amounts. The Company has not experienced material adjustments to its estimates when the final amounts were reported by carriers. If the Company deems a carrier not to be creditworthy, the Company defers all revenues from the arrangement until the Company receives payment and all other revenue recognition criteria have been met.

The Company recognizes as revenues the amount billed to the carrier upon the sale of content, which is net of sales taxes, the carrier's fees and other deductions. The Company has evaluated its agreements with carriers in accordance with the guidance at FASB ASC 605-45 Revenue Recognition – Principal Agent Considerations and has concluded that it is not the principal under these agreements. Key indicators that it evaluated to reach this determination include:

- End users directly contract with the carriers, which have most of the service interaction and are generally viewed as the primary obligor by the subscribers;
- Carriers generally have significant control over the types of content that they offer to their subscribers; the Company has the content provider relationships and has discretion, within the parameters set by the carriers, regarding the actual offerings;
- Carriers are directly responsible for billing and collecting fees from their subscribers, including the resolution of billing disputes;
- Carriers generally pay the Company a fixed percentage of their revenues or a fixed fee for each content sale;
- Carriers generally must approve the price of the Company's content in advance of their sale to subscribers, and the Company's more significant carriers generally have the ability to set the ultimate price charged to their subscribers; and
- The Company has limited risks, including no inventory risk and limited credit risk.

The Company has also evaluated its agreements with content providers, and has concluded that it is the principal under these agreements. Accordingly, payments to content providers are reported as cost of revenues.

Net (Loss) per Common Share

Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net loss per share is computed by dividing net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period plus dilutive common stock equivalents, using the treasury stock method. Potentially dilutive shares from stock options and warrants and the conversion of the Series A preferred stock that were excluded from the shares used to calculate diluted earnings per share, as their inclusion would be anti-dilutive, were as follows:

	Twelve Months Ended March 31,	
	2015	**2014**
Potentially dilutive shares	1,574,372	1,169,555

Comprehensive Loss

Comprehensive loss consists of two components, net loss and other comprehensive income. Other comprehensive income refers to gains and losses that under generally accepted accounting principles are recorded as an element of stockholders' equity, but are excluded from net income. The Company's other comprehensive income currently includes only foreign currency translation adjustments.

Cash and Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Deposits

As of March 31, 2015, the Company has deposits of $109 comprised of facility and equipment lease deposits, as compared to $24 as of March 31, 2014.

Carrier Revenue Share and Content Provider License Fees

Carrier Revenue Share

Revenues generated from advertising via direct CPI, CPP or CPA arrangements with application developers, or indirect arrangements through advertising aggregators (ad networks) are shared with the carrier and the shared revenue is recorded as a cost of goods sold. In each case the revenue share with the carrier varies depending on the agreement with the carrier, and, in some cases, is based upon revenue tiers.

Content Provider License Fees

The Company's royalty expenses consist of fees that it pays to content owners for the use of their intellectual property in the distribution of music, games and other content services, and other expenses directly incurred in earning revenue. Royalty-based obligations are either accrued as incurred and subsequently paid or, in the case of content acquisitions, paid in advance and capitalized on our balance sheet as prepaid license fees. These royalty-based obligations are expensed to cost of revenues either at the applicable contractual rate related to that revenue or over the estimated life of the content acquired. Minimum guarantee license payments that are not recoupable against future royalties are capitalized and amortized over the lesser of the estimated life of the branded title or the term of the license agreement.

Software Development Costs

The Company applies the principles of FASB ASC 985-20, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ("ASC 985-20"). ASC 985-20 requires that software development costs incurred in conjunction with product development be charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of unamortized cost or net realizable value of the related product.

The Company has adopted the "tested working model" approach to establishing technological feasibility for its products. Under this approach, the Company does not consider a product in development to have passed the technological feasibility milestone until the Company has completed a model of the product that contains essentially all the functionality and features of the final product and has tested the model to ensure that it works as expected. To date, the Company has not incurred significant costs between the establishment of technological feasibility and the release of a product for sale; thus, the Company has expensed all software development costs as incurred. The Company considers the following factors in determining whether costs can be capitalized: the emerging nature of the mobile market; the gradual evolution of the wireless carrier platforms and mobile phones for which it develops products; the lack of pre-orders or sales history for its products; the uncertainty regarding a product's revenue-generating potential; its lack of control over the carrier distribution channel resulting in uncertainty as to when, if ever, a product will be available for sale; and its historical practice of canceling products at any stage of the development process.

The Company also applies the principles of FASB ASC 350-40, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. Costs capitalized for developing such software applications were not material for the periods presented.

Product Development Costs

The Company charges costs related to research, design and development and deployment of products to product development expense as incurred. The types of costs included in product development expenses include salaries, contractor fees and allocated facilities costs.

Advertising Expenses

The Company expenses the costs of advertising the first time the advertising takes place. Advertising expense was $406 and $186 in the years ended March 31, 2015 and 2014, respectively, for continued operations, and $0 and $5, respectively, for discontinued operations.

Fair Value of Financial Instruments

As of March 31, 2015 and 2014, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation, and other current liabilities approximates fair value due to the short-term nature of such instruments.

Foreign Currency Translation

The Company uses the United States dollar for financial reporting purposes. Assets and liabilities of foreign operations are translated using current rates of exchange prevailing at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transaction occurred. Statement of Operations amounts are translated at average rates in effect for the reporting period. The foreign currency translation adjustment gain of $147 and $67 in the years ended March 31, 2015 and 2014 has been reported as a component of comprehensive loss in the consolidated statements of stockholders' equity and comprehensive income.

Concentrations of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist principally of cash and cash equivalents, and accounts receivable. We have placed cash and cash equivalents at high credit-quality institutions. In our content business most of our sales are made directly to large national mobile phone carriers. In our advertising business most of our sales are made either directly to advertisers or through advertising aggregators. We have a significant level of business and resulting significant accounts receivable balance with one operator and therefore have a high concentration of credit risk with that operator. We perform ongoing credit evaluations of our customers and maintain an allowance for potential credit losses. As of March 31, 2015, one major customer represented approximately 21.1% of our gross accounts receivable outstanding, and 49.1% of our gross accounts receivable outstanding as of March 31, 2014, respectively. The previously mentioned major customer and one other customer accounted for 50.6%, 11.1% of our gross revenues during the twelve month period ended March 31, 2015 and these two customers and one other customer accounted for 45.8%, 22.2%, and 10.5% of our gross revenues during the twelve month period ended March 31, 2014.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are the lesser of 8 to 10 years or the term of the lease for leasehold improvements and 3-5 years for other assets.

Goodwill and Indefinite Life Intangible Assets

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with FASB ASC 350-20 Goodwill and Other Intangible Assets, the value assigned to goodwill and indefinite lived intangible assets, including trademarks and tradenames, is not amortized to expense, but rather they are evaluated at least on an annual basis to determine if there are potential impairments. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill is less than the carrying value. If the fair value of an indefinite lived intangible (such as trademarks and trade names) is less than its carrying amount, an impairment loss is recorded. Fair value is determined based on discounted cash flows, market multiples or appraised values, as appropriate. Discounted cash flow analysis requires assumptions about the timing and amount of future cash inflows and outflows, risk, the cost of capital, and terminal values. Each of these factors can significantly affect the value of the intangible asset. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's judgment. Any changes in key assumptions about the Company's businesses and their prospects, or changes in market conditions, could result in an impairment charge. Some of the more significant estimates and assumptions inherent in the intangible asset valuation process include: the timing and amount of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows; and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal or regulatory trends.

Goodwill is tested annually during the fourth fiscal quarter and whenever events or circumstances indicate an impairment may have occurred. Based on the results of the annual impairment tests, performed during the fourth quarter of Fiscal 2015, no impairment of goodwill existed at March 31, 2015.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consist of customer lists, license agreements and software that have been acquired are amortized using the straight-line method over their useful life ranging from two to fourteen years and are reviewed for impairment in accordance with FASB ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets , whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In the year ended March 31, 2014, the Company determined that there was an impairment of intangible assets of $154 related to the change in trade names as the Company has rebranded its acquisitions under the Digital Turbine name. In performing the related valuation analysis the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. There were no indications of impairment present or that the carrying amounts may not be recoverable during the period ended March 31, 2015.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740-10, Accounting for Income Taxes (“ASC 740-10”), which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in its financial statements or tax returns. Under ASC 740-10, the Company determines deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of assets and liabilities along with net operating losses, if it is more likely than not the tax benefits will be realized using the enacted tax rates in effect for the year in which it expects the differences to reverse. To the extent a deferred tax asset cannot be recognized, a valuation allowance is established if necessary.

ASC 740-10 prescribes that a company should use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the “more-likely-than-not” recognition threshold should be measured as the largest amount of the tax benefits, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement in the financial statements. We recognize interest and penalties related to income tax matters as a component of the provision for income taxes. We do not currently anticipate that the total amount of unrecognized tax benefits will significantly change within the next 12 months.

Stock-based compensation.

We have applied FASB ASC 718 Share-Based Payment (“ASC 718”) and accordingly, we record stock-based compensation expense for all of our stock-based awards.

Under ASC 718, we estimate the fair value of stock options granted using the Black-Scholes option pricing model. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the option vesting term. The amount of expense recognized represents the expense associated with the stock options we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of options that actually vest or are forfeited are recorded.

The Black-Scholes option pricing model, used to estimate the fair value of an award, requires the input of subjective assumptions, including the expected volatility of our common stock, interest rates, dividend rates and an option’s expected life. As a result, the financial statements include amounts that are based upon our best estimates and judgments relating to the expenses recognized for stock-based compensation.

The Company grants restricted stock subject to market or performance conditions that vest based on the satisfaction of the conditions of the award. Unvested restricted stock entitles the grantees to dividends, if any, with voting rights determined in each agreement. The fair market values of market condition-based awards are determined using the Monte Carlo simulation method. The Monte Carlo simulation method is subject to variability as several factors utilized must be estimated, including the derived service period, which is estimated based on the Company's judgment of likely future performance and the Company's stock price volatility. The fair value of performance-based awards is determined using the market closing price on the grant date. Derived service periods and the periods charged with compensation expense for performance-based awards are estimated based on the Company's judgment of likely future performance and may be adjusted in future periods depending on actual performance.

Preferred Stock

The Company applies the guidance enumerated in FASB ASC 480-10, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("ASC 480-10") when determining the classification and measurement of preferred stock. Preferred shares subject to mandatory redemption (if any) are classified as liability instruments and are measured at fair value in accordance with ASC 480-10. All other issuances of preferred stock are subject to the classification and measurement principles of ASC 480-10. Accordingly, the Company classifies conditionally redeemable preferred shares (if any), which includes preferred shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control, as temporary equity. At all other times, the Company classifies its preferred shares in stockholders' equity.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end, and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective as of the first interim period within annual reporting periods beginning on or after December 15, 2018, and will replace most existing revenue recognition guidance in U.S. GAAP. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. The Company has not yet selected a transition method or determined the effect of the standard on our financial position, results of operations, cash flows, or presentation thereof.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. These amendments are effective prospectively for reporting periods beginning on or after December 15, 2014, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718). The pronouncement was issued to clarify the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going concern (Subtopic 205-40). The amendments in this update provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The pronouncement is effective for reporting periods beginning after December 15, 2016. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). The objective is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of the financial statements. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

In May 1, 2015, the FASB issued ASU No. 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU No. 2015-05") to reduce the diversity in practice, and reduce the costs and complexity of assessing fees paid in a Cloud Computing Arrangements ("CCA"). While the new standard does not provide explicit guidance on how to account for fees paid in a CCA, it does provide guidance on which existing accounting model should be applied. ASU No. 2015-05 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company expects to adopt this guidance during its 2016 fiscal year and does not expect it will have a significant impact on its consolidated results of operations, financial condition and cash flows.

Other authoritative guidance issued by the FASB (including technical corrections to the FASB Accounting Standards Codification), the American Institute of Certified Public Accountants, and the SEC did not, or are not expected to have a material effect on the Company's consolidated financial statements.

5. Fair Value Measurements

The Company applies the provisions of ASC 820-10, "Fair Value Measurements and Disclosures." ASC 820-10 defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the consolidated balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities From Equity" and ASC 815, "Derivatives and Hedging." Derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives. The effects of interactions between embedded derivatives are calculated and accounted for in arriving at the overall fair value of the financial instruments. In addition, the fair values of freestanding derivative instruments such as warrant and option derivatives are valued using the Black-Scholes model.

The Company identified the following liabilities that are required to be presented on the balance sheet at fair value:

Contingent liabilities (in thousands)	Total	Level 1	Level 2	Level 3
March 31, 2015	—	—	—	—
March 31, 2014	$ 238	—	—	$ 238

Measured at Fair Value on a Recurring Basis

In September 2012, the Company recorded a contingent liability in connection with the acquisition of Logia. The liability was determined by using a valuation model that measured the probability of the liability to occur and the present value of the consideration at the time it would be paid. The value of the contingent liability as of March 31, 2014 was determined to be $238. The contingent liability was settled in the period ended March 31, 2015, as reflected in Note 11 below.

The Company did not identify any recurring assets and liabilities that are required to be presented in the consolidated balance sheets at fair value in accordance with ASC 825.

6. Accounts Receivable

	March 31, 2015	March 31, 2014
Billed	$ 8,408	$ 3,629
Unbilled	4,463	1,473
Allowance for doubtful accounts	(698)	-
Accounts receivable, net	$ 12,174	$ 5,102

The Company had no significant write-offs or recoveries during the years ended March 31, 2015 and 2014.

7. Property and Equipment

	March 31, 2015	March 31, 2014
Computer Related Equipment	$ 727	$ 561
Furniture & fixtures	28	39
Leasehold improvements	32	27
	787	627
Accumulated depreciation	(173)	(162)
Property and Equipment, net	$ 614	465

Depreciation expense for the years ended March 31, 2015 and 2014 was $98 and $87, respectively, for continued operations and $0 and $23, respectively, for discontinued operations.

8. Description of Stock Plans

Employee Stock Plan

The Company is currently issuing stock awards under the Amended and Restated Digital Turbine, Inc. 2011 Equity Incentive Plan (the "2011 Plan"), which was approved and adopted by our stockholders by written consent on May 23, 2012. No future grants will be made under the previous plan, the 2007 Employee, Director and Consultant Stock Plan (the "2007 Plan"). In the year ended March 31, 2015, in connection with the acquisition of Appia, the Company assumed the Appia, Inc. 2008 Stock Incentive Plan (the "Appia Plan"). The 2011 Plan and 2007 Plan are collectively referred to as "Digital Turbine's Incentive Plans." Digital Turbine's Incentive Plans and the Appia Plan are all collectively referred to as the "Stock Plans."

The 2011 Plan provides for grants of stock-based incentive awards to our and our subsidiaries' officers, employees, non-employee directors and consultants. Awards issued under the 2011 Plan can include stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units (sometimes referred to individually or collectively as "Awards"). Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs").

The 2011 Plan reserves 20,000,000 shares for issuance, of which approximately 14,393,741 and 16,659,173 remained available for future grants as of March 31, 2015 and 2014, respectively. The 2011 Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units (sometimes referred to individually or collectively as "Awards") to our and our subsidiaries' officers, employees, non-employee directors and consultants.

Stock Option Agreements

Stock options granted under the Company's Incentive Plans typically vest over a three to four year period. These options, which are granted with option exercise prices equal to the fair market value of the Company's common stock on the date of grant, generally expire up to ten years from the date of grant. In the year ended March 31, 2015, in connection the Appia acquisition, the Company exchanged stock options previously granted under the Appia Plan for options to purchase the shares of the Company's common stock. These assumed Appia options typically vest over a period of four years and generally expire within ten years from the date of grant. Compensation expense for all stock options is recognized on a straight-line basis over the requisite service period.

Restricted Stock Awards

Awards of restricted stock may be either grants of restricted stock, restricted stock units, or performance-based restricted stock units that are issued at no cost to the recipient. For restricted stock units, legal ownership of the shares is not transferred to the employee until the units vest, which is generally over a three year period. The cost of these awards is determined using the fair market value of the Company's common stock on the date of the grant. Compensation expense for restricted stock awards with a service condition is recognized on a straight-line basis over the requisite service period.

Stock Option Activity

The following table summarizes stock option activity for the Stock Plans during the years ended March 31, 2015 and 2014:

	Number of Shares	Weighted Average Exercise Price (per share)	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options Outstanding, March 31, 2013	1,019,670	$ 8.74	4.55	$ —
Granted [(a)]	2,840,000	$ 3.33		
Forfeited/Canceled	(151,860)	$ 3.96		
Exercised	(240,000)	$ 1.25		
Options Outstanding, March 31, 2014	3,467,810	$ 5.05	8.33	$ 2,318
Assumed through acquisitions	245,955	$ 0.64		
Granted	3,124,200	$ 4.06		
Forfeited/Canceled	(994,874)	$ 3.24		
Exercised	(53,333)	$ 2.56		
Options Outstanding, March 31, 2015	5,789,758	$ 4.65	8.35	$ 1,319
Vested and expected to vest (net of estimated forfeitures) at March 31, 2015 [(b)]	4,542,791	$ 4.85	8.05	$ 1,250
Exercisable, March 31, 2015	1,987,525	$ 4.65	6.39	$ 909

(a) In Fiscal 2014, Digital Turbine, Inc. did not convert or assume any options in connection with business acquisitions.

(b) For options vested and expected to vest, options exercisable, and options outstanding, the aggregate i ntrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Digital Turbine's closing stock price on March 31, 2015 and the exercise price multiplied by the number of in-the-money options) that would have been received by the option holders had the holders exercised their options on March 31, 2015. The intrinsic value changes based on changes in the price of Digital Turbine's common stock.

In connection with the Appia acquisition, Digital Turbine, Inc. assumed approximately 246,000 stock options, with a weighted-average exercise price per share of $0.64.

Information about options outstanding and exercisable at March 31, 2015 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (Years)	Number of Shares	Weighted Average Exercise Price
$0.00 - 0.50	8,065	$ 0.24	4.99	8,065	$ 0.24
$0.51 - 1.00	237,891	$ 0.65	7.49	158,685	$ 0.64
$2.01 - 2.50	153,776	$ 2.40	2.84	153,776	$ 2.40
$2.51 - 3.00	939,831	$ 2.68	8.56	577,560	$ 2.68
$3.51 - 4.00	2,205,465	$ 3.95	9.59	229,628	$ 3.96
$4.01 - 4.50	1,714,730	$ 4.22	8.56	399,811	$ 4.23
$4.51 - 5.00	60,000	$ 4.65	7.99	40,000	$ 4.65
$5.01 and over	470,000	$ 16.32	3.77	420,000	$ 17.56
	5,789,758			1,987,525	

Other information pertaining to stock options for the Stock Plans is as follows:

	March 31, 2015	March 31, 2014
Total fair value of options vested	$ 1,266	$ 19
Total intrinsic value of options exercised [(a)]	$ 71	$ 554

(a) The total intrinsic value of options exercised represents the total pre-tax intrinsic value (the difference between the stock price at exercise and the exercise price multiplied by the number of options exercised) that was received by the option holders who exercised their options during the fiscal year.

The weighted average grant-date fair value for the options granted during the fiscal years ended March 31, 2015 and 2014, was $3.44 and $3.33, respectively.

At March 31, 2015 and March 31, 2014, there was $1,135 and $885 of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 1.6 years and 1.9 years, respectively.

Valuation of Awards

For stock options granted under Digital Turbine's Incentive Plans, Digital Turbine Inc. typically uses the Black-Scholes option pricing model to estimate the fair value of stock options at grant date. The Black-Scholes option pricing model incorporates various assumptions, including volatility, expected term risk-free interest rates, and dividend yields. The fair value of options assumed under the Appia Plan was estimated as of the March 6, 2015 closing date using the Black-Scholes option pricing model. The assumptions utilized in this model during Fiscal 2015 and Fiscal 2014 are presented below.

	March 31, 2015	March 31, 2014
Risk free interest rate	1.37% to 1.79%	1.36% to 1.71%
Expected life of the options	5.73 to 6 years	5.27 to 6 years
Expected volatility	115% to 145%	150% to 155%
Expected dividend yield	0%	0%
Expected forfeitures	10% to 35%	10% to 35%

Expected volatility is based on a blend of implied and historical volatility of Digital Turbine's common stock over the most recent period commensurate with the estimated expected term of Digital Turbine's stock options. Digital Turbine uses this blend of implied and historical volatility, as well as other economic data, because management believes such volatility is more representative of prospective trends. The expected term of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees.

Total stock compensation expense for the Company's equity plans, which includes both stock options and restricted stock is included in the following statements of operations components. Please see Note 13 regarding restricted stock:

	Twelve Months Ended March 31, 2015	**Twelve Months Ended March 31, 2014**
Product development	$ —	$ —
Sales and marketing	—	—
General and administrative	6,340	4,693
	$ 6,340	$ 4,693

9. Goodwill

A reconciliation of the changes to the Company's carrying amount of goodwill for the periods or as of the dates indicated:

Balance at March 31, 2013	$	3,588
Acquisition		1,182
Goodwill attributable to discontinued operations		(142)
Adjustment to goodwill for tax		209
Balance at March 31, 2014		4,837
Adjustment to goodwill for purchase price allocation		1,472
Acquisition of XYO		1,000
Acquisition of Appia		69,438
Balance at March 31, 2015	$	76,747

Fair value is defined under ASC 820, Fair Value Measurements and Disclosures as, "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 Company considered the income and market approaches to derive an opinion of value. Under the income approach, the Company utilized the discounted cash flow method, and under the market approach, consideration was given to the guideline public company method, the merger and acquisition method, and the market capitalization method.

Goodwill is tested annually during the fourth fiscal quarter and whenever events or circumstances indicate an impairment may have occurred. Based on the results of the annual impairment tests, performed during the fourth quarter of Fiscal 2015, no impairment of goodwill existed at March 31, 2015. In the period ended June 30, 2014, we finalized the purchase price allocation of MIA, which resulted in an adjustment to goodwill of $1,472. There was an increase in goodwill in the fiscal year ended March 31, 2015 for the acquisition of XYO of $1,000 and DT Media (Appia) of $69,438, respectively.

10. Intangible Assets

We complete our annual impairment tests in the fourth quarter of each year unless events or circumstances indicate that an asset may be impaired. The Company recorded an intangible asset impairment charge for the year ended March 31, 2014 of $154 to write down trade names pursuant to its decision to rename and rebrand the trademarks acquired through the MIA acquisition. There were no other indications of impairment present during the periods ended December 31, 2014 and March 31, 2014. In the period ended June 30, 2014, we finalized the purchase price allocation of MIA, which resulted in an adjustment to intangibles of $1,472. There was an increase in intangibles in the three month periods ended December 31, 2014 and March 31, 2015 for the acquisition of XYO of $1,500 and DT Media (Appia) of $17,780, respectively.

The components of intangible assets as at March 31, 2015 and 2014 were as follows:

	As of March 31, 2015		
	Cost	Accumulated Amortization	Net
Software	$ 13,480	$ (2,489)	$ 10,991
Trade name/ trade mark	$ 380	$ (14)	$ 366
Customer list	14,755	(1,379)	13,376
License agreements	355	(152)	203
	$ 28,970	$ (4,034)	$ 24,936

	As of March 31, 2014		
	Cost	Accumulated Amortization	Net
Software	$ 6,637	$ (1,369)	$ 5,268
Customer list	4,107	(577)	3,530
License agreements	354	(78)	276
	$ 11,098	$ (2,024)	$ 9,074
Discontinued operations	$ 3,278	$ (3,050)	$ 228

The Company has included amortization of acquired intangible assets directly attributable to revenue-generating activities in cost of revenues. The Company has included amortization of acquired intangible assets not directly attributable to revenue-generating activities in operating expenses.

During the twelve month period ended March 31, 2015 and 2014, the Company recorded amortization expense in the amount of $2,010 and $1,769, respectively, in cost of revenues for continuing operations and $0 and $203 for discontinued operations, respectively.

Based on the amortizable intangible assets as of March 31, 2015, we estimate amortization expense for the next five years to be as follows:

Year Ending March 31,		Amortization Expense
2016	$	8,631
2017		8,270
2018		3,546
2019		2,616
2020		617
Future		1,256
	$	24,936

Below is a summary of intangible assets:

		Intangible Assets
Balance as of March 31, 2013	$	4,757
Acquisition		6,826
Impairment		(154)
Disposal of subsidiary		(586)
Amortization of intangibles		(1,769)
Balance as of March 31, 2014	$	9,074
Amortization of intangibles		(2,010)
Purchase price allocation adjustment		(1,472)
Acquisition of XYO		1,500
Acquisition of Appia		17,780
Capitalized developed software		64
Balance as of March 31, 2015	$	24,936

11. Debt

		March 31, 2015		March 31, 2014
Current Portion of Long Term Debt				
Term loan, principal	$	600	$	-
Revolving line of credit, principal		3,000		-
	$	3,600	$	-

		March 31, 2015		March 31, 2014
Long Term Debt				
Subordinated secured debenture, net of debt discount of $910 and $0	$	7,090	$	-

	March 31, 2015	March 31, 2014
Long Term Contingent Liability		
Contingent liability, net of discount of $0 and $762, respectively	$ -	$ 238

Debt

Senior Debt

On March 6, 2015, in connection with the Company's acquisition of Appia, Inc., DT Media entered into a new Amended and Restated Loan and Security Agreement with Silicon Valley Bank (the "SVB Debt") which replaced and restated DT Media's prior agreement with Silicon Valley Bank. The SVB Debt includes a term loan and a revolving line of credit.

The term loan, with a principal balance of $600 as of March 31, 2015, is due in twelve equal monthly principal installments of $50 through April 1, 2016 together with monthly payment of interest at a floating per annum rate equal to the greater of (A) two and one-half percentage points (2.50%) above the Prime Rate or (B) six and one-half percent (6.50%). At March 31, 2015, the interest rate was 6.50%.

Revolving line of credit

The revolving line of credit allows DT Media to borrow up to the lesser of $3,500 or the Borrowing Base, which is 80% of eligible accounts receivable. At March 31, 2015, DT Media had borrowed $3,000 under the revolving line. The revolving line matures on June 30, 2015 and accrues interest at a floating per annum rate equal to the greater of (A) one and one-half percentage points (1.50%) above the Prime Rate or (B) five and one-half percent (5.50%), payable monthly. At March 31, 2015, the interest rate was 5.50%.

DT Media's obligations under the SVB Debt are secured by substantially all of DT Media's assets. Additionally, Digital Turbine has guaranteed DT Media's obligations under the SVB Debt, and pledged substantially all of its assets, including its intellectual property, to Silicon Valley Bank in support of the SVB Debt.

On June 11, 2015, (the "Closing Date"), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the "Borrower") and Silicon Valley Bank, a California corporation ("Bank") entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. Refer to section 9B for an update on the Silicon Valley Bank revolving credit facility

Subordinated Debenture

On March 6, 2015, in connection with the acquisition of DT Media, the Company entered into a Securities Purchase Agreement with North Atlantic SBIC IV, L.P. ("North Atlantic") pursuant to which DT Media sold a senior secured debenture with a principal amount of $8,000 (the "New Debenture") to North Atlantic. The New Debenture was issued in exchange for two debentures previously sold by DT Media to North Atlantic, which were cancelled.

The New Debenture matures on March 6, 2017, at which time the principal amount is due and payable. The Company may prepay the New Debenture in whole or in part at any time without penalty. The New Debenture bears interest at 10% per annum for the first twelve months, and 14% thereafter; interest is payable monthly.

DT Media's obligations under the New Debenture are secured by all of DT Media's assets; additionally, Digital Turbine has guaranteed DT Media's obligations under the New Debenture, and pledged substantially all of its assets, including its intellectual property, to North Atlantic in support of the New Debenture. The New Debenture is subordinated to the SVB Debt.

In connection with the issuance of the New Debenture, the Company issued to North Atlantic (i) 200,000 shares of the Company's common stock, and (ii) a warrant to purchase an additional 400,000 shares of the Company's common stock at an exercise price of $0.001 per share. The warrant is not exercisable until the one year anniversary of the closing date of the merger and will terminate if the Company repays the New Debenture prior to such one year anniversary. The value of the common shares, and the estimated value of the warrant, have been recorded as debt discount and are being amortized over the term of the New Debenture.

The SVB Debt and New Debenture, and the Company's secured guarantees of such debt, contain covenants, among others, limiting the Company's ability to undergo a change of control, incur indebtedness, grant liens, make dividends in cash and other customary covenants. At March 31, 2015, DT Media and the Company were compliant with all such covenants.

The Company's required principal repayments for its outstanding debt as of March 31, 2015, are as follows:

	Senior Debt	Revolving line of credit	Subordinated Debenture
June 30, 2015	$ -	$ 3,000	$ -
March 31, 2016	600	-	-
March 6, 2017	-	-	8,000
	$ 600	$ 3,000	$ 8,000

Contingent Liabilities

	March 31, 2015	March 31, 2014
Contingent Liabilities		
Contingent liability, net of discount of $0 and $762, respectively	$ —	$ 238

The Stock Purchase Agreement (the "SPA") to acquire DT EMEA and DT Ignite from Logia Group, Ltd. ("Sellers") entitled the Sellers to receive certain contingent purchase consideration ("Contingent Consideration") upon achieving certain milestones. Should all milestones have been achieved, the Contingent Consideration would have been $1,000 payable in cash and shares of stock of the Company. As of March 31, 2014, the Company had recorded the fair value of the Contingent Consideration in Long Term Debt of $1,000, net of a discount of $762. On April 28, 2014, the Company and the Sellers entered into an agreement ("Logia Settlement Agreement") to settle and resolve certain disputes surrounding the Contingent Consideration, among other claims related to the SPA. The Logia Settlement Agreement absolves or relieves the Company of any and all Contingent Consideration under the SPA. In consideration for the release of all claims the Company deposited 50,000 shares of common stock of the Company into escrow along with the other common stock that was issued under the SPA, and will release all common stock from escrow on periodic, pre-arranged dates through February 1, 2016. Additionally, the Company accrued an additional $60 payable to the Sellers at the Company's election either in cash or shares valued by both parties at $4.00 per share. As of March 31, 2015, the Company issued 15,000 shares in settlement of that accrual.

12. Related Party Transactions

There are no significant relationships as of March 31, 2015 other than employment agreements with officers approved by the Board of Directors.

13. Capital Stock Transactions

Preferred Stock

There are 2,000,000 shares of Series A Convertible Preferred Stock ("Series A") authorized and 100,000 shares, issued and outstanding. The Series A has a par value of $0.0001 per share. The Series A holders are entitled to: (1) vote on an equal per share basis as common stock, (2) dividends paid to the common stock holders on an as if-converted basis and (3) a liquidation preference equal to the greater of $10 per share of Series A (subject to adjustment) or such amount that would have been paid to the common stock holders on an as if-converted basis.

Common Stock and Warrants

In April 2014, the Company issued 50,000 shares of common stock of the Company to the Sellers of DT EMEA as part of the settlement of its contingent liability to Sellers pursuant to the Logia Settlement Agreement referenced in Note 11. The fair value of the shares on the date of issuance was $188.

In July 2014, the Company issued 35,000 shares of common stock of the Company to two directors for services. The shares vest over one year. The fair value of the shares on the date of issuance was $135.

In July 2014, the Company issued 10,375 shares of common stock of the Company to directors holding committee positions within the board. The shares vest over one year. The fair value of the shares on the date of issuance was $42.

In September 2014, the Company issued 300,000 shares of common stock of the Company to a service provider for the exercise of 300,000 warrants granted in January 2011.

In November 2014, the Company issued 13,417 shares of common stock of the Company to a service provider for the cashless exercise of 30,000 warrants granted in June 2011.

In December 2014, the Company issued 55,064 shares of common stock of the Company to an employee as compensation. The shares vest in connection with performance over two months. The fair value of the shares on the date of issuance was $80.

In January 2015, the Company cancelled 8,131 shares of common stock of the Company in connection with a separation agreement. The fair value of the shares on the date of cancellation was $27.

In February 2015, the Company issued 64,000 shares of common stock of the Company to its directors for services. The shares vest over one year. The fair value of the shares on the date of issuance was $240.

In February 2015, the Company issued 3,333 shares of common stock of the Company for the exercise of options granted to an employee in October 2013.

In March 2015, the Company issued 15,000 shares of common stock of the Company to the Sellers of DT EMEA as part of the settlement of its contingent liability to Sellers pursuant to the Logia Settlement Agreement referenced in Note 11. The fair value of the shares on the date of issuance was $60.

In March 2015, the Company issued 25,000 shares of common stock of the Company to an employee as compensation. The shares vest in connection with performance over five months. The fair value of the shares on the date of issuance was $88.

In March 2015, the Company issued 200,000 shares of common stock of the Company to a debt holder. The fair value of the shares on the date of issuance was $788.

In March 2015, the Company issued 67,827 shares of common stock of the Company to employees as compensation. The shares vest quarterly between one and two years. The fair value of the shares on the date of issuance was $267.

In March 2015, the Company issued 18,883,723 shares of common stock of the Company as consideration for an acquisition. The shares were valued at the closing market price on that date of $3.94 per share. The overall value was determined to be $74,402 and was recorded through the purchase price allocation of the acquisition in the period ended March 31, 2015.

In March 2015, the Company issued 50,000 shares of common stock of the Company for the exercise of options granted to an employee in November 2013.

In March 2015, the Company issued 9,930 shares of common stock of the Company to directors for services. The shares vest quarterly over five months. The fair value of the shares on the date of issuance was $39.

Restricted Stock Agreements

From time to time, the Company enters into restricted stock agreements (“RSAs”) with certain employees and consultants. The RSAs have performance conditions, market conditions, time conditions or a combination. In some cases, once the stock vests, the individual is restricted from selling the shares of stock for a certain defined period from three months to two years depending on the terms of the RSA. As reported in our Current Reports on Form 8-K filed with the SEC on February 12, 2014 and June 25, 2014 respectively, the Company adopted a Board Member Equity Ownership Policy that supersedes any post-vesting lock-up in RSAs that are applicable to people covered by the policy which includes the Company’s board of directors and Chief Executive Officer.

Performance and Market Condition RSAs

On December 28, 2011, the Company issued 3,170,000 restricted shares with vesting criteria based on both performance and market conditions.

On December 28, 2011, one third of the restricted shares vested. On July 3, 2013, the second one third of the restricted shares vested.

The Company expensed $5,784 through the period ended March 31, 2014 related to the 3,170,000 RSAs issued on December 28, 2011. These RSAs were fully expensed as of March 31, 2015. During the year ended March 31, 2015, the Company vested 594,372 shares and cancelled 8,131 shares, leaving 454,164 shares unvested.

Time and Performance Condition RSAs

In January 2012, the Company issued 445,000 restricted shares with vesting criteria based on both time and performance conditions. For accounting purposes, the Company determined the grant date fair value to be $3.25 per share which is the closing price of the Company’s stock price on January 3, 2012. These RSAs were fully expensed and vested as of March 31, 2014.

Time Condition RSAs

On various dates during the years ended March 31, 2015 and March 31, 2014, the Company issued 267,195 and 254,020 restricted shares, respectively, with vesting criteria based on time conditions. During the years ended March 31, 2015 and March 31, 2014, the Company expensed $956 and $1,561 related to time condition RSAs, respectively. As of March 31, 2015, 188,179 remain unvested.

Total non-vested restricted stock awards and activities for all vesting conditions for periods ended March 31, 2015 and March 31, 2014, respectively, were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested restricted stock:		
Non-vested restricted stock balance as of March 31, 2013	2,631,667	$ 3.27
Granted	254,020	3.69
Vested	(1,520,677)	3.39
Cancelled	-	-
Non-vested restricted stock balance as of March 31, 2014	1,365,010	$ 3.22
Granted	267,195	3.60
Vested	(981,731)	3.48
Cancelled	(8,131)	3.31
Non-vested restricted stock balance as of March 31, 2015	642,343	$ 3.04

All restricted shares, vested and unvested, cancelable and not cancelled, have been included in the outstanding shares as of March 31, 2015.

At March 31, 2015 and March 31, 2014, there was $876 and $734, respectively, of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested restricted stock awards expected to be recognized over a weighted-average period of approximately 0.22 and 0.15 years, respectively.

14. Employee Benefit Plans

The Company has an employee 401(k) savings plan covering full-time eligible employees. These employees may contribute eligible compensation up to the annual IRS limit. The Company does not make matching contributions.

15. Income Taxes

The provision (benefit) for income taxes by taxing jurisdiction was as follows:

	Year Ended March 31 2015	Year Ended March 31 2014
Current U.S. Federal	0	0
Current State and Local	25	0
Current Non-U.S.	324	(272)
Total Current	349	(272)
Deferred U.S. Federal	0	-
Deferred State and Local	-	-
Deferred Non-U.S.	398	-
Total Deferred	398	0
Total Income Tax Provision	$ 747	$ (272)

A reconciliation of income tax expense using the statutory U.S. income tax rate compared with the actual income tax provision follows:

	Year Ended March 31 2015	Year Ended March 31 2014
Statutory federal income taxes	$ (8,365)	$ (6,017)
State income taxes, net of federal benefit	17	(765)
Write down of goodwill and other perm diff	2,171	895
Foreign expense	324	(136)
Increase in valuation allowance	6,600	5,751
Income tax provision (benefit)	$ 747	$ (272)

Deferred tax assets and liabilities consist of the following:

	Year Ended March 31, 2015	Year Ended March 31, 2014
Deferred Income Tax Assets		
Net operating loss carryforward	$ 25,668	$ 19,621
Stock-based compensation	1,270	15,360
Credit carryforwards	123	268
Other	1,324	425
Gross deferred income tax asset	28,385	35,674
Valuation Allowance	(21,920)	(35,154)
Net deferred income tax asset	$ 6,465	$ 520
Deferred Income Tax Liabilities		
Depreciation and amortization	$ (751)	
Intangibles and goodwill	(5,069)	(269)
Other	(780)	-
Gross deferred income tax liabilities	(6,600)	(269)
Net deferred income tax liabilities	$ (135)	$ 251

In accordance with ASC 740 and based on all available evidence on a jurisdictional basis, the Company believes that, it is more likely than not that its deferred tax assets will not be utilized, and has recorded a full valuation allowance against its net deferred tax assets in each jurisdiction.

As of March 31, 2015, the Company had net operating loss (NOL) carry-forwards for U.S. federal and state tax of approximately $67,000, Australia federal tax of approximately $3,900, and Israel federal tax of approximately $2,100. The U.S. federal and state NOLs expire between 2028 and 2034, and the Australia and Israel NOLs have an unlimited carryover period. Utilization of the NOLs in the U.S. are subject to annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state and foreign limitations. These ownership changes limit the amount of NOLs that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code, results from a transaction of series of transactions over a three-year period resulting in an ownership change of more than 50 percentage points of the outstanding stock by a company by certain stockholders or public groups.

As of March 31, 2015, realization of the Company's net deferred tax asset of approximately $28,400 was not considered more likely than not and, accordingly, a valuation allowance of $21,900 has been provided. During the year ended March 31, 2015, the valuation allowance decreased by $13,200.

ASC 740 requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets.

The Company adopted the provisions of ASC 740 on January 1, 2008 and there was no difference between the amounts of unrecognized tax benefits recognized in the balance sheet prior to the adoption of ASC 740 and those after the adoption of ASC 740.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax position is required to meet before it can be recognized in the financial statements and applies to all tax positions taken by a company. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the income tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit will be recorded. Uncertain income tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. We recognize accrued interest and penalties related to uncertain income tax positions in income tax expense on our consolidated statement of income. On a quarterly basis, we evaluate uncertain income tax positions and establish or release reserves as appropriate under GAAP. We are multinational thus foreign tax estimates may vary from actuals.

The Company's income is subject to taxation in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that certain positions might be challenged despite the Company's belief that its tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Balance at April 1	61	61	61
Additions for tax position of prior years	844	-	-
Balance at March 31	$ 905	$ 61	$ 61

Included in the balance at March 31, 2015, 2014 and 2013 are $351, $61, and $61, respectively, of unrecognized tax benefits, which would affect the annual effective tax rate if recognized. The Company recognized no interest and penalties on uncertain income tax liabilities in its statement of operations for the years ended March 31, 2015, 2014 or 2013, respectively. The Company expects the amount of unrecognized tax benefits to decrease by approximately $145 in the next twelve months.

The Company's U.S. federal, state, and foreign income tax returns generally remain subject to examination for tax years ended 2011 through 2015.

16. Segment and Geographic information

In the fourth quarter of Fiscal 2015, the Company made certain segment realignments in order to conform to the way the Company manages segment performance. This realignment was driven primarily by the acquisition of Appia on March 6, 2015. The Company has recast prior period amounts to provide visibility and comparability. None of these changes impacts the Company's previously reported consolidated net revenue, gross margin, operating income, net income, or earnings per share.

The Company manages its business in four operating segments: Ignite, IQ, Appia Core, and Content. The four operating segments have been aggregated into two reportable segments: Advertising and Content. Our chief operating decision maker does not evaluate operating segments using asset information. The Company has considered guidance in Accounting Standards Codification (ASC) 280 in reaching its conclusion with respect to aggregating its operating segments into two reportable segments. Specifically, the Company has evaluated guidance in ASC 280-10-50-11and determined that aggregation is consistent with the objectives of ASC 280 in that aggregation into two reportable segments allows users of our financial statements to view the Company's business through the eyes of management based upon the way management reviews performance and makes decisions. Additional factors that were considered included: whether or not the operating segments have similar economic characteristics, the nature of the products/services under each operating segment, the nature of the production/go to market process, the type and geographic location of our customers, and the distribution of our products/services.

The Company attributes its long-lived assets, which primarily consist of property and equipment, to a country primarily based on the physical location of the assets. Goodwill and intangibles are not included in this allocation.

The following information sets forth segment information on our net sales for the twelve month periods ended March 31, 2015 and 2014, and income (loss) from operations for the periods ended March 31, 2015 and March 31, 2014.

	Content		Advertising		Total	
Twelve Months Ended March 31, 2014						
Revenues	$	23,635	$	769	$	24,404
Income (loss) from operations		(11,969)		(3,555)		(15,524)
Twelve Months Ended March 31, 2015						
Revenues		22,009		6,243		28,252
Income (loss) from operations	$	(10,896)	$	(12,841)	$	(23,737)

The following information sets forth geographic information on our net sales for the twelve month periods ended March 31, 2015 and 2014, and net property and equipment for the periods ended March 31, 2015 and March 31, 2014. Revenues by geography are based on billing addresses of our customers. The following table sets forth revenues and long-lived assets by geographic area. Our largest customer accounted for 50.6% of gross revenues in the year ended March 31, 2015; and 45.8% in the year ended March 31, 2014.

	Year Ended March 31,			
	2015		2014	
Revenue				
North America	$	5,976	$	167
EMEA		2,202		4,060
APAC		20,074		20,107
Other Regions		-		70
Consolidated revenue	$	28,252	$	24,404
Property and equipment, net				
North America	$	289	$	68
EMEA		32		70
APAC		293		327
Other Regions		-		-
Consolidated property and equipment, net	$	614	$	465

17. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities and equipment under non-cancelable operating leases expiring in various years through 2022.

Following is a summary of future minimum payments under initial terms of leases as of:

Twelve month period ending March 31,		
2016	$	582
2017		255
2018		270
2019		300
2020		300
Thereafter		825
Total minimum lease payments	$	2,532

These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to $629 and $250, for the years ended March 31, 2015 and 2014, respectively.

Other Obligations

As of March 31, 2015, the Company was obligated for payments under various employment contracts with initial terms greater than one year at March 31, 2015. Annual payments relating to these commitments at March 31, 2015 are as follows:

Twelve month period Ending March 31,		
2016	$	1,102
2017		545
Total minimum payments	$	1,647

Legal Matters

Digital Turbine may be involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business, including those identified below. Digital Turbine accrues a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Digital Turbine reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and Digital Turbine's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in Digital Turbine's accrued liabilities would be recorded in the period in which such determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. The following is a discussion of Digital Turbine's significant legal matters and other proceedings.

Coral Tell Ltd. Matter

On May 30, 2013, a class action suit in the amount of NIS 19,200 or $5,300 was filed in the Tel-Aviv Jaffa District Court against Coral Tell Ltd., an Israeli company which owns and operates a website offering advertisements and Coral Tell Ltd is currently being sued in a class action lawsuit regarding phone call overages and has served a third party notice against Logia and two additional companies for our alleged involvement in facilitating the overages. The suit relates to a service offered by the Coral Tell website, enabling advertisers to display a virtual cellular number in the advertisement instead of their real cellular number. The plaintiff claims that calls were charged for the connection time between two segments of the call, instead of the second segment alone; that the caller was charged even if the advertiser did not answer the call (as the charge began upon initiation of the first segment); and that the caller was charged for text messages sent to the advertiser, although the service did not support delivery of text messages. We have no contractual relationship with this company. We believe the lawsuit is without merit and a finding of liability on our part remote. After conferring with advisors and counsel, management believes that the ultimate liability, if any, in the aggregate will not be material to the financial position or results or operations of the Company for any future period.

On November 25, 2013, the Israeli Supreme Court ordered the parties to submit their position as to whether the defendant (applicant) has a right to appeal the Israeli District's Court decision or must request the Israeli Supreme Court to grant a right to appeal.

On December 25, 2013, after reviewing the parties' positions, the Israeli Supreme Court ordered the respondents (Cellcom, Logia, Ethrix) to submit their response to defendant's petition to grant the right to appeal, by January 26th, 2014. Appellant responded thereafter and the appeal is now under review and pending judgment. Usually, in petitions such as this the Israeli Supreme Court makes a judgment based on the parties' written responses.

The Defendant appealed the ruling of July 2013, and on April 1, 2015 the Supreme Court rejected the appeal. This means that the third party notices, Logia included, will be addressed and heard after judgment is made in the case between the Plaintiff and Defendant.

Digital Turbine does not believe there is a probable and estimable claim. Accordingly, Digital Turbine has not accrued any liability.

Settlement of Potential Claim

The Company has had a disagreement with an investor of the Company regarding their respective rights and obligations to each other regarding certain investments. Although no claims have been made as of March 31, 2015, each of the Parties recognizes that the disagreements they have had could in the future lead to claims being made and believe it is in their respective best interests to avoid such claims by entering into an agreement whereby the Company has offered to settle the matter in exchange for a certain number of shares of common stock of the Company.

This agreement by management to settle the matter was reached prior to March 31, 2015 and has been extended to the shareholder through a settlement offer that as of March 31, 2015 is being reviewed and considered by the shareholder and their legal counsel.

Although the matter is still unsettled as of March 31, 2015, the extension of an offer settlement by management is representative of the probable standard referred to in ASC 450.

As of March 31, 2015, the eventual settlement of this matter is viewed as probable and thus an accrual representing the fair value was accrued in this Annual Form 10-K in an amount equal to $381.

As of March 31, 2015 Digital Turbine does not believe there is a reasonable possibility that a material loss exceeding the amounts already accrued for these or other proceedings or matters has been incurred. However, since the ultimate resolution of any such proceedings and matters is inherently unpredictable, Digital Turbine's business, financial condition, results of operations, or cash flows could be materially affected in any particular period by unfavorable outcomes in one or more of these proceedings or matters. Whether the outcome of any claim, suit, assessment, investigation, or legal proceeding, individually or collectively, could have a material adverse effect on Digital Turbine's business, financial condition, results of operations, or cash flows will depend on a number of variables, including the nature, timing, and amount of any associated expenses, amounts paid in settlement, damages, or other remedies or consequences.

18. Subsequent Events

Management evaluated subsequent events after the balance sheet date of March 31, 2015 through the date these audited financial statements were issued and concluded that no other material subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements, other than the following:

On June 10, 2015 the CEO, acting pursuant to full discretionary authority previously provided by the Compensation Committee, approved a discretionary bonus to Mr. Schleimer, CFO in the amount of $81 for overall performance and significant contributions related to the Appia acquisition.

On June 11, 2015, (the “Closing Date”), our wholly owned subsidiary Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (the “Borrower”) and Silicon Valley Bank, a California corporation (“Bank”) entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which Bank has agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. The credit facility will continue to be secured by substantially all of the assets of the Borrower and our assets. Additionally, the credit facility requires that Digital Turbine USA, Inc. (“DT USA”), a sister company to the Borrower, provide security in all its assets for the benefit of Bank, including its intellectual property, by June 25, 2015. DT USA is also required to become a guarantor under the credit facility by June 25, 2015. In connection with the credit facility, DT USA will also become a secured guarantor of all obligations owed to North Atlantic SBIC IV, L.P. (“North Atlantic”) under those certain Purchase Agreements dated April 4, 2013 and October 31, 2013, by and between the Borrower and North Atlantic, and those certain 10.00% Subordinated Debentures dated April 4, 2013 and October 31, 2013, from the Borrower made payable to the order of North Atlantic, by June 25, 2015.

The revolving credit facility bears interest at a floating annual rate equal to (a) during any month for which the Borrower maintained an adjusted quick ratio (as customarily defined) of not less than 1.00:1.00 as of the last day of a month, the prime rate as reported by The Wall Street Journal, plus 1.75% and (b) at all other times, the prime rate as reported by The Wall Street Journal, plus 2.75%.

The amended facility includes a financial covenant for minimum trailing three-month adjusted EBITDA, which will not be applicable if (a) there are no advances outstanding under the revolving facility, or (b) if our cash and cash equivalents held at the Bank or Bank’s Affiliates is greater than or equal to $15,000. EBITDA is defined as our consolidated (w) net income (as customarily defined), plus (x) interest expense, plus (y) to the extent deducted in the calculation of net income, depreciation expense and amortization expense, plus (z) income tax expense.

The obligations under the amended credit facility continue to be guaranteed by us.

The preceding description of the Third Amended and Restated Loan and Security Agreement is qualified in its entirety by reference to the entire text of the Amended and Restated Loan Agreement, filed as Exhibit 10.52 to this Current Report on Form 10K and incorporated herein by reference.

Exhibit 10.51

COMMERCIAL LEASE AGREEMENT

This lease agreement is made and entered into by and between Thomas C. Calhoon (Landlord) and Digital Turbine, Inc. (Tenant). Landlord hereby leases to Tenant and Tenant hereby leases from Landlord that certain property with the improvements thereon, hereinafter called the "leased premises", known as 219 West 4th, in the City of Austin, Travis County, Texas; or as more particularly described below and on attached exhibit "A":

Legal: Lot 12, Block 028, Original City, the northernmost 80.9'on floors 1 & 2 only, see Exhibit "B"

The term of this lease shall commence on October 1, 2015, and ending on December 31, 2022, upon the following conditions and covenants:

1. TAXES AND UTILITIES. Each year during the term of this lease, Tenant shall pay real estate taxes assessed against the leased premises. Tenant to Escrow with Landlord 1/12 of annual estimated Taxes monthly with Landlord. Tenant shall also pay all charges for utility services to the leased premises. Tenant's prorata share of the entire parcel* shall be 75%. (*TCAD Property ID 194310) Taxes will also be prorated for any partial tax year within the Term based on the actual number of days elapsed.

2. HOLDING OVER. Failure of Tenant to surrender the Leased Premises at the expiration of the lease constitutes a holding over which shall be construed as a tenancy from month to month at a rental rate of $120% of last months rent, as per this lease.

3. RENT. Rent shall be $ See Special Provisions per month, payable in advance without demand, on the first of each month a 315 Lavaca St. in Austin, Texas 78701. Rent received after the first day of the month shall be deemed delinquent. If rent is not received by Landlord by the 5th of each month, Tenant shall pay a late charge of $300.00 plus a penalty of $ 25.00 per day until rent is received in full. Tenant shall pay $ 50.00 for each returned check.

4. USE. Tenant shall use the Leased Premises for the following purpose and no other: Office Space. Tenant shall not occupy or allow the Leased Premises to be occupied for any business or purpose deemed extra hazardous because of the threat of fire or otherwise.

5. SECURITY DEPOSIT. Tenant shall pay to Landlord a $ 30,000 security deposit on signing.

6. INSURANCE. Tenant shall pay for fire and extended coverage on the buildings and other improvements on the Leased Premises in the amount at fair market value. Tenant to Escrow 1/12 of annual estimated Insurance monthly with Landlord. Tenant shall provide public liability and property damage insurance for its business operations on the Leased Premises in the amount of $3,000,000. Said insurance policies required to be provided by Tenant herein shall name Landlord as an insured and shall be issued by an insurance company approved by Landlord. Tenant shall provide Landlord with certificates of insurance evidencing the coverage required herein. Tenant shall be solely responsible for fire and casualty insurance on Tenant's property on or about the Leased Premises.

7. CONDITION OF PREMISES. Notwithstanding anything to the contrary in this Agreement, if the Leased Premises are partially or in their entirety still under construction at delivery of possession , Landlord covenants and agrees that the Leased Premises will be constructed in accordance with the agreed upon plans attached hereto and incorporated by reference as Exhibits B-D (the "Site Plan". Landlord will not take, cause to be taken, or consent to any action that materially affects or could materially affect public access to, visibility of, parking for, or use of the Leased Premises without the prior written consent of Tenant. Landlord warrants that upon delivery of possession (a) Landlord's work shall be substantially complete; (b) the sprinkler system, electrical system, plumbing system, all other mechanical systems of the Leased Premises will be in good order and condition with sufficient capacity to accommodate Tenant's design; (c) the Leased Premises will be free from asbestos-containing materials; (d) the Leased the Premises will be free from unused fuel tanks (including any existing tanks which Tenant does not intend to use), contaminated soil, and other hazardous materials; (e) all improvements to the Leased Premises as detailed in the Site Plan will have been substantially completed and will have been constructed in a good and workmanlike manner, using materials of first-class quality; (f) Landlord will have received a final, permanent certificate of occupancy for the Leased Premises permitting use of the Leased Premises for Tenant's intended use (a "Certificate of Occupancy"); (g) all related construction debris, materials, equipment, and trailers will have been removed from the Leased Premises or at least shall not be visible or interfere with Tenant's running of its business during normal work hours.

TU

8. MAINTENANCE, REPAIR AND ALTERATIONS. **Landlord** shall be responsible for repair and maintenance of the building roof. All interior & exterior maintenance of the **Tenant's** space and Elevator, shall be at the Tenant's expense. Should Tenant not fix any problems within 30 days of notice of such needed maintenance, then Landlord may immediately repair and add to Tenant's rent due.

9. COMPLIANCE WITH LAWS AND REGULATIONS. Tenant shall, at its own expense, comply with all laws, orders, and requirements of all governmental entities with reference to the use and occupancy of the Leased Premises including but not limited to the Americans with Disabilities Act. Tenant and Tenant's agents, employees and invitees shall fully comply with any rules and regulations governing the use of the buildings or other improvements to the leased premises as required by Landlord. Landlord may make reasonable changes in such rules and regulations from time to time as deemed advisable for the safety, care and cleanliness of the Leased Premises, provided same are not in conflict with this lease.

10. ASSIGNMENT AND SUBLETTING. Tenant may assign this lease or sublet all or part of the Leased Premises, with Landlord's written approval, which may not be unreasonably withheld, for another Office use only.

11. DESTRUCTION. In the event the Leased Premises is partially damaged or destroyed or rendered partially unfit for occupancy by fire or other casualty, Tenant shall give immediate notice to Landlord. Landlord may repair the damage and restore the Leased Premises to substantially the same condition as immediately prior to the occurrence of the casualty. Such repairs shall be made at the Landlord's expense. Landlord shall allow Tenant a proportionate abatement of reduction of rent during the time the Leased Premises are partially unfit for occupancy. If the Leased Premises is totally destroyed or deemed by the Landlord to be rendered wholly unfit for occupancy by fire or other casualty, or if Landlord shall decide not to repair or rebuild within sixty (60) days of casualty, this lease shall terminate and the rent shall be paid to the time of such casualty.

12. 12.1 Landlord has good title to the Leased Premises, subject only to Permitted Liens (defined below), and has full right and authority to make this Lease and to perform as required hereunder, and this Lease does not conflict with, and its execution by Landlord will not result in a default or event of default under, any other agreement to which Landlord is bound. Landlord will furnish to Tenant upon request evidence reasonably satisfactory to Tenant of its title to the Leased Premises and authority to execute this Lease. "Permitted Liens" means (a) current taxes not past due, (b) utility easements, leases, and other agreements of record not conflicting with Tenant's rights under this Lease, and (c) those priority mortgages, deeds of trust, prime leases, or ground leases for which Tenant has received a nondisturbance agreement from Landlord.

12.2 The Leased Premises are zoned to allow their use as a matter of right for the use contemplated herein, and Tenant's use of common facilities for access to the Leased Premises, accessory automobile parking, signage, and service facilities contemplated by this Lease shall not be prevented or materially impaired by any current zoning, building, health, safety, environmental, or other governmental law or regulation, or by any restriction, covenant, lease, or agreement entered into, whether of record or not, and there are no agreements that would be binding upon Tenant in connection with any construction or operations within the Leased Premises;

12.3 There are no claims, causes of action, or other proceedings pending or threatened in respect to the ownership, operation, or environmental condition of Leased Premises or any part thereof (including disputes with mortgagees, governmental authorities, utilities, contractors, adjoining land owners, or suppliers of goods), except for claims that are fully insured and as to which the insurer has accepted defense without reservation;

12.4. There is no existing, pending, or contemplated, threatened, or anticipated (a) condemnation of any part of the Leased Premises, (b) repaving, widening, change of grade, or limitation on use of streets, roads, or highways abutting the Leased Premises, (c) special tax or assessment to be levied against the Leased Premises, (d) change in the zoning classification of the Leased Premises, or (e) change in the manner of tax assessment of the Leased Premises; and

12.5 If the Leased Premises are currently under construction or any construction is planned in connection with the Leased Premises' future expansion as set forth in the architectural drawings delivered to Tenant prior to the date hereof and giving rise to this Lease, Landlord has obtained sufficient financing to complete such construction and/or future expansion.

12.6 Quiet Enjoyment. If Tenant is not in default beyond any applicable grace period, Tenant shall peaceably and quietly occupy and enjoy the full possession and use of the Leased Premises and the use of the common facilities as herein provided and for the purposes herein stated. If at any time there is a breach or default of any of Landlord's representations, warranties or agreements under this Section 12, or if for any other reason Tenant is materially deprived of or impaired in the use and enjoyment of the Leased Premises as herein provided, (a) the Rents and additional charges to be paid by Tenant will be equitably abated during any such period, and (b) at

Tenant's election, the running of the Term will be suspended during such period, and the expiration date of the Term (and Extended Terms as applicable) will be extended for an amount of time equal to such period. If such period continues for more than 30 days after notice from Tenant, Tenant may at its option terminate this Lease by notice to Landlord while reserving all rights which Tenant may have for Landlord's default under this Lease. Landlord acknowledges and agrees that Tenant has leased the Leased Premises for the purpose of occupying an attractive, professionally finished space that will reflect favorably upon Tenant's reputation, and from which Tenant may peacefully conduct its business (collectively, "Tenant's Expectations"). Tenant's quiet enjoyment of the Leased Premises therefore depends upon the continued fulfillment of Tenant's Expectations, and any material deterioration in the Leased Premises' conditions, including the presence of structural or latent defects in or around the Leased Premises, will be deemed to impair Tenant's quiet enjoyment of the Leased Premises and, if any such condition shall continue for a period in excess of thirty (30) days after Tenant has notified Landlord thereof, Landlord shall be deemed in default under this Section and Tenant may, in its sole and absolute discretion, terminate this Lease on not less than 60 days' prior written notice to Landlord.

12.7 Subordination; Nondisturbance. If the Leased Premises are, as of the date hereof, subject to any mortgage, trust deed, prime lease, or ground lease, Landlord must provide Tenant with an agreement executed by such lienholder, which shall assure Tenant's continued and undisturbed right to possession of the Leased Premises and other rights granted under this Lease in accordance with this Lease's terms and conditions. Such agreement must be recordable with the applicable registry or office. In addition, Tenant agrees to subordinate this Lease to any future mortgage, trust deed, or ground lease of Landlord, provided any lienholder shall assure Tenant's continued and undisturbed right to possession of the Leased Premises and other rights granted under this Lease in accordance with this Lease's terms and conditions. Such assurance must be recordable with the applicable registry or office. Landlord hereby represents and warrants that, as of the date hereof, and for the 60 days immediately following the date hereof, there is and will be no mortgage, trust deed, prime lease, or ground lease encumbering the Leased Premises except [indicate any encumbrances]

13. TENANT DEFAULT. If Tenant defaults in the performance of any obligations or covenants herein, Landlord may enforce the performance of this lease in any manner provided by law. This lease may be terminated at Landlord's discretion if such default continues for a period of 10 days after Landlord notifies Tenant of such default and of Landlord's intention to declare this lease terminated. Such notice shall be sent by Landlord to Tenant at the Leased Premises by mail or otherwise. If Tenant has not completely removed or cured default within the ten day period, this lease shall terminate. Thereafter, Landlord or its agents shall have the right, without further notice or demand, to enter the Leased Premises and remove all persons and property without being deemed guilty of trespass and without waiving any other remedies for arrears of rent or breach of contract.

14. LIEN. Landlord is granted an express contractual lien, in addition to any lien provided by law, and a security interest in all property of Tenant found on the Leased Premises to secure the compliance by Tenant with all terms of this lease. In the event of default, Landlord or his agents may peaceably enter the Leased Premises and remove all property and dispose of same as Landlord shall see fit.

15. INDEMNITY. Landlord and its employees and agents shall not be liable to Tenant or Tenant's employees, patrons, visitors, invitees, or any other persons for any injury to any such persons or for any damage to personal property caused by any act, omission, or neglect of Tenant or Tenant's agents or of any other tenant of the premises of which the Leased Premises is a part. Tenant agrees to indemnify and hold Landlord and its employees and agents harmless from any and all claims for such injury and damage, whether the injury occurs on or off the Leased Premises.

16. SIGNS. Tenant shall not post or paint any signs at, on, or about the Leased Premises or paint the exterior walls of the building except with prior written consent of the Landlord. Landlord shall have the right to remove any sign or signs in order to maintain the Leased Premises or to make any repairs or alterations thereto.

17. TENANT BANKRUPTCY. If Tenant becomes bankrupt or makes a voluntary assignment for the benefit of creditors or if a receiver is appointed for Tenant, Landlord may terminate this lease by giving Thirty (30) days written notice to Tenant of Landlord's intention to do so.

18. CONDEMNATION. If the whole or any substantial part of the Leased Premises is taken for any public or quasi-public use under any governmental law, ordinance or regulation or by right of eminent domain or should the Leased Premises be sold to a condemning authority under threat of condemnation, this lease shall terminate and the rent shall be abated during the unexpired portion of the lease effective from the date of the physical taking of the Leased Premises.

19. BROKER'S FEE. See Special Provisions.

TL

20. NOTICES. Notices to Tenant shall be by emails to bill@digitalturbine.com & ghen.laraya@digitalturbine.com or mail to the leased premises. Notices to Landlord shall be by email to tcalhoon@comcast.net or 315 Lavaca St., Austin, Texas 78701.

21. DEFAULT BY LANDLORD. In the event of breach by Landlord of any covenant, warranty, term or obligation of this lease, the Landlord's failure to cure same or commence a good faith effort to cure same within 30 days after written notice thereof by Tenant shall be considered a default and shall entitle Tenant to terminate this lease. If any utility services furnished by Landlord are interrupted and continue to be interrupted despite the good faith efforts of Landlord to remedy same, Landlord shall not be liable in any respect for damages to the person or property of Tenant or Tenant's employees, agents, or guests, and same shall not be construed as grounds for constructive eviction or abatement of rent. Landlord shall use reasonable diligence to repair and remedy such interruption promptly.

22. ATM. Tenant also to allow ATM to remain, but in a new location (see exhibit B). Power and rear access to ATM to be provided by Tenant.

23. WAIVER OF BREACH. The waiver by Landlord of any breach of any provision of this lease shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or a different provision of this lease.

24. TIME OF ESSENCE. Time is expressly declared to be of the essence in this lease.

25. BINDING EFFECT. Subject to the provisions of this lease pertaining to assignment of the Tenant's interest, all provisions of this lease shall extend to and bind, or inure to the benefit of, not only the parties to this lease but to each and every one of the heirs, executors, representatives, successors, and assigns of Landlord or Tenant.

26. RIGHTS AND REMEDIES CUMULATIVE. The rights and remedies by this lease agreement are cumulative and the use of any one right or remedy by either party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

27. TEXAS LAW TO APPLY. This agreement shall be construed under and in accordance with the laws of the State of Texas.

28. LEGAL CONSTRUCTION. In case any one or more of the provisions contained in this agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision hereof and this agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein.

29. PRIOR AGREEMENTS SUPERSEDED. This agreement constitutes the sole and only agreement of the parties to this lease and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter of this lease.

30. AMENDMENT. No amendment, modification, or alteration of the terms hereof shall be binding unless it is in writing, dated subsequent to the date hereof, and duly executed by the parties.

31. ATTORNEY'S FEES. Any signatory to this lease agreement who is the prevailing party in any legal proceeding against any other signatory brought under or with relation to this lease agreement or this transaction shall be additionally entitled to recover court costs, reasonable attorney fees, and all other out-of-pocket costs of litigation, including deposition, travel and witness costs, from the non-prevailing party.

32. SPECIAL PROVISIONS.

1. Tenant shall pay $ 20,000.00 1st months rent on signing to Craig Brockman as paid rent.
2. Rent shall be, once Tenant occupies space, $ 20,000.00 Monthly base rent + Taxes & Insurance escrow monthly for the 1st year of this lease. Then, $22,500.00 Monthly base rent + Taxes & Insurance escrow monthly for 2nd year of this lease. Then, $ 25,000.00 Monthly base rent + Taxes & Insurance escrow monthly for the next five years of this lease. Tenant is required to have an elevator maintenance contract & Elevator operation may be limited at Landlord's sole discretion to 5am-9pm daily.
3. For each day the space is not available to be occupied after October 1, 2015, Landlord will give Tenant a Free day of Base Rent & Tenant will not start paying rent until space is available to occupy.
4. Plans for Tenants 2 story approximately 7,288 square foot Office space to be attached, as Exhibits B, C (floors not included in this lease space) & D, to this lease. All changes that get approved by Landlord, that are the request of the Tenant, shall be paid for by Tenant when billed by builder & Landlord may require Tenant to escrow amount,

TC

at Landlord's option.

5. Tenants interior plans to be attached to lease by September 15, 2014 and approved by Landlord, which will not be unreasonably withheld.
6. Space to be returned to Landlord at end of lease with normal wear and tear & HVAC units all to be in good working order.
7. Landlord to have the only ATM's at the building.
8. Landlord to pay Craig Brockman $ 25,000 on signing. Tenant to pay 2nd & 3rd months base rent to Craig Brockman, and shall count as paid base rent to Landlord.
9. Digital Turbine, Inc. personally guarantees this lease & Tenant has one 3 year option to renew at $ 28,750. Monthly base rent + Taxes & Insurance escrow monthly for the entire 3 years of this option, that must be exercised in writing 180 days before the end of the initial term of this Lease would end. Any of Landlord's Lease's of more than 1 year for the remainder of building's space's shall be offered to Digital Turbine, Inc. with a 5 day first Right of Refusal & Same if building is offered For Sale.

EXECUTED this 13TH day of August, 2014

TENANT

Bill Stone, Digital Turbine, Inc.

LANDLORD

Thomas C. Calhoon

REAL ESTATE BROKER

By: ______________________

Craig Brockman Lic. # date

TCC

THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This **THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT** (this "**Agreement**") dated as of June 11, 2015 (the "**Effective Date**") between **SILICON VALLEY BANK**, a California corporation ("**Bank**"), and **DIGITAL TURBINE MEDIA, INC.** (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation ("**Borrower**"), provides the terms on which Bank shall lend to Borrower and Borrower shall repay Bank. The parties agree as follows:

Recitals

A. Bank and Borrower have entered into that certain Second Amended and Restated Loan and Security Agreement dated as of March 6, 2015 (as amended from time to time, the "**Prior Loan Agreement**").

B. Borrower has requested, and Bank has agreed, to replace, amend and restate the Prior Loan Agreement in its entirety. Bank and Borrower hereby agree that the Prior Loan Agreement is amended and restated in its entirety as follows:

1 ACCOUNTING AND OTHER TERMS

Accounting terms not defined in this Agreement shall be construed following GAAP. Calculations and determinations must be made following GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein.

2 LOAN AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay Bank the outstanding principal amount of all Credit Extensions and accrued and unpaid interest thereon as and when due in accordance with this Agreement.

2.1.1 Revolving Advances.

(a) Availability. Subject to the terms and conditions of this Agreement and to deduction of Reserves, Bank shall make Advances not exceeding the Availability Amount. Amounts borrowed under the Revolving Line may be repaid and, prior to the Revolving Line Maturity Date, reborrowed, subject to the applicable terms and conditions precedent herein.

(b) Termination; Repayment. The Revolving Line terminates on the Revolving Line Maturity Date, when the principal amount of all Advances, the unpaid interest thereon, and all other Obligations relating to the Revolving Line shall be immediately due and payable.

2.1.2 Second Supplemental Term Loan.

(a) Availability. No more Second Supplemental Term Loans are available hereunder.

(b) Repayment of Second Supplemental Term Loan. The Second Supplemental Term Loan shall continue to be repaid as follows:

(i) Interest-Only Payments. Borrower shall make monthly payments of interest-only commencing on the first (1st) Business Day of the first (1st) month following the month in which the Funding Date occurs with respect to the Second Supplemental Term Loan and continuing thereafter during the Second Supplemental Interest-Only Period, on the first (1st) Business Day of each successive month.

(ii) Principal and Interest Payments. For the amount of the Second Supplemental Term Loan outstanding as of the last day of the Second Supplemental Interest-Only Period, Borrower shall make (A) thirty (30) consecutive equal monthly payments of principal, plus (B) monthly payments of accrued but unpaid interest, commencing on the Second Supplemental Conversion Date, in amounts that would fully amortize the Second Supplemental Term Loan, as of the Second Supplemental Conversion Date, over the Second Supplemental Repayment Period. All unpaid principal and accrued and unpaid interest on the Second Supplemental Term Loan is due and payable in full on the Second Supplemental Term Loan Maturity Date.

(c) Voluntary Prepayment. At Borrower's option, so long as an Event of Default has not occurred and is not continuing, Borrower shall have the option to prepay all, but not less than all of the Second Supplemental Term Loan advanced by Bank under this Agreement, provided Borrower (i) provides written notice to Bank of its election to exercise to prepay the Second Supplemental Term Loan at least thirty (30) days prior to such prepayment, and (ii) pays, on the date of the prepayment (A) all accrued and unpaid interest with respect to the Second Supplemental Term Loan through the date the prepayment is made; (B) all unpaid principal with respect to the Second Supplemental Term Loan; and (C) all other sums, if any, that shall have become due and payable hereunder with respect to the Second Supplemental Term Loan.

(d) Mandatory Prepayment Upon an Acceleration. If the Second Supplemental Term Loan is accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Bank an amount equal to the sum of (i) all outstanding principal and accrued but unpaid interest with respect to the Second Supplemental Term Loan, plus (ii) all other sums, including Bank Expenses, if any, that shall have become due and payable with respect to the Second Supplemental Term Loan.

2.2 Overadvances. If, at any time, the sum of (a) the outstanding principal amount of any Advances plus (b) the outstanding principal balance of the Second Supplemental Term Loan plus (c) any amounts outstanding with respect to Bank Services, exceeds the lesser of either the Revolving Line or the Borrowing Base, Borrower shall immediately pay to Bank in cash the amount of such excess (such excess, the "**Overadvance**"). Without limiting Borrower's obligation to repay Bank any Overadvance, Borrower agrees to pay Bank interest on the outstanding amount of any Overadvance, promptly on demand, at the Default Rate.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate.

(i) Advances. Subject to Section 2.3(b), the principal amount outstanding under the Revolving Line shall accrue interest at a floating per annum rate equal to (A) during any Reduced Pricing Period, one and three-quarters percentage points (1.75%) above the WSJ Prime Rate, and (B) at all other times, two and three-quarters percentage points (2.75%) above the WSJ Prime Rate; in either case, which interest shall be payable monthly in accordance with Section 2.3(d) below.

(ii) Second Supplemental Term Loan. Subject to Section 2.3(b), the principal amount outstanding under the Second Supplemental Term Loan shall accrue interest at a floating per annum rate equal to the greater of (A) two and one-half percentage points (2.50%) above the Prime Rate or (B) six and one-half percent (6.50%).

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall bear interest at a rate per annum which is five percentage points (5.00%) above the rate that is otherwise applicable thereto (the "**Default Rate**") unless Bank otherwise elects from time to time in its sole discretion to impose a smaller increase. Fees and expenses which are required to be paid by Borrower pursuant to the Loan Documents (including, without limitation, Bank Expenses) but are not paid when due shall bear interest until paid at a rate equal to the highest rate applicable to the Obligations. Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Bank.

(c) Adjustment to Interest Rate. Changes to the interest rate of any Credit Extension based on changes to the Prime Rate or WSJ Prime Rate shall be effective on the effective date of any change to the Prime Rate or WSJ Prime Rate, as applicable, and to the extent of any such change.

(d) Payment; Interest Computation. Unless otherwise provided, interest is payable monthly on the last calendar day of each month and shall be computed on the basis of a 360-day year for the actual number of days elapsed. In computing interest, (i) all payments received after 12:00 p.m. Pacific time on any day shall be deemed received at the opening of business on the next Business Day, and (ii) the date of the making of any Credit Extension shall be included and the date of payment shall be excluded; provided, however, that if any Credit Extension is repaid on the same day on which it is made, such day shall be included in computing interest on such Credit Extension.

2.4 **Fees**. Borrower shall pay to Bank:

(a) Commitment Fee. A fully earned, non-refundable commitment fee of Fifteen Thousand Dollars ($15,000), on the Effective Date;

(b) Unused Revolving Line Facility Fee. Payable quarterly in arrears on the first (1st) day of each calendar quarter occurring prior to the Revolving Line Maturity Date, and on the Revolving Line Maturity Date, a fee (the "**Unused Revolving Line Facility Fee**") in an amount equal to one-quarter of one percent (0.25%) per annum of the average unused portion of the Revolving Line, as determined by Bank. The unused portion of the Revolving Line, for purposes of this calculation, shall be calculated on a calendar year basis and shall equal the difference between (i) the Revolving Line, and (ii) the average for the period of the daily closing balance of the Revolving Line outstanding; and

(c) Bank Expenses. All Bank Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due (or, if no stated due date, upon demand by Bank).

(d) Fees Fully Earned. Unless otherwise provided in this Agreement or in a separate writing by Bank, Borrower shall not be entitled to any credit, rebate, or repayment of any fees earned by Bank pursuant to this Agreement notwithstanding any termination of this Agreement or the suspension or termination of Bank's obligation to make loans and advances hereunder. Bank may deduct amounts owing by Borrower under the clauses of this Section 2.4 pursuant to the terms of Section 2.5(c). Bank shall provide Borrower written notice of deductions made from the Designated Deposit Account pursuant to the terms of the clauses of this Section 2.4.

2.5 **Payments; Application of Payments; Debit of Accounts**.

(a) All payments (including prepayments) to be made by Borrower under any Loan Document shall be made in immediately available funds in Dollars, without setoff or counterclaim, before 12:00 p.m. Pacific time on the date when due. Payments of principal and/or interest received after 12:00 p.m. Pacific time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment shall be due the next Business Day, and additional fees or interest, as applicable, shall continue to accrue until paid.

(b) Bank has the exclusive right to determine the order and manner in which all payments with respect to the Obligations may be applied. Borrower shall have no right to specify the order or the accounts to which Bank shall allocate or apply any payments required to be made by Borrower to Bank or otherwise received by Bank under this Agreement when any such allocation or application is not specified elsewhere in this Agreement.

(c) Bank may debit any of Borrower's deposit accounts, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes Bank when due. These debits shall not constitute a set-off.

2.6 **Cash Collateral Account; Account Collection Services**.

(a) Borrower shall direct each Account Debtor (and each depository institution where proceeds of Accounts are on deposit) to wire transfer payments to a cash collateral account that Bank controls (the "**Cash Collateral Account**"). It will be considered an immediate Event of Default if the Cash Collateral Account is not established and operational on the earlier of (i) June 30, 2015, or (ii) the date of the first Advance under this Agreement; and at all times after such earlier date.

(b) Upon receipt by Borrower of any proceeds of Accounts, Borrower shall immediately transfer and deliver same to Bank, along with a detailed cash receipts journal.

(c) All collections of Accounts ("**Collections**") shall be applied within three (3) days of receipt of such amounts by Bank as follows: (i) during any Non-Streamline Period, all Collections shall be applied to the outstanding Obligations owed by Borrower under the Revolving Line, and provided no Event of Default exists or an event that with notice or lapse of time will be an Event of Default, the amount of Collections in excess of the outstanding Obligations owed by Borrower under the Revolving Line shall be deposited in the Designated Deposit Account, and (ii) during any Streamline Period, all Collections shall be deposited in the Designated Deposit Account, provided no Event of Default exists or an event that with notice or lapse of time will be an Event of Default. This Section does not impose any affirmative duty on Bank to perform any act other than as specifically set forth herein. All Accounts and the proceeds thereof are Collateral and if an Event of Default occurs, Bank may apply the proceeds of such Accounts to the Obligations in accordance with Section 9.4 hereof. If Borrower receives any payment on or any proceeds of any Account, whether or not an Event of Default has occurred and is continuing, Borrower shall hold all such payments and proceeds in trust for Bank, and Borrower shall immediately deliver all such payments and proceeds to Bank in their original form, duly endorsed, to be applied (i) prior to an Event of Default, pursuant to the terms of this Section 2.6(c) hereof, and (ii) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof.

2.7 Withholding. Payments received by Bank from Borrower under this Agreement will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to Bank, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, Bank receives a net sum equal to the sum which it would have received had no withholding or deduction been required, and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon request, furnish Bank with proof reasonably satisfactory to Bank indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.7 shall survive the termination of this Agreement.

3 <u>CONDITIONS OF LOANS</u>

3.1 Conditions Precedent to Initial Credit Extension. Bank's obligation to make the initial Credit Extension is subject to the condition precedent that Bank shall have received, in form and substance satisfactory to Bank, such documents, and completion of such other matters, as Bank may reasonably deem necessary or appropriate, including, without limitation:

(a) duly executed original signatures to this Agreement;

(b) duly executed original signature to an Acknowledgement of Amended Loan Agreement and Reaffirmation of Guaranty in the form attached hereto as <u>Exhibit E</u> by Parent;

(c) duly executed original signatures to the completed Borrowing Resolutions for Borrower;

(d) the Perfection Certificate of Borrower, together with the duly executed original signature thereto;

(e) certified copies, dated as of a recent date, of financing statement searches, as Bank shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released; and

(f) payment of the fees and Bank Expenses then due as specified in Section 2.4 hereof.

3.2 **Conditions Precedent to all Credit Extensions**. Bank's obligations to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) except as otherwise provided in Section 3.5, timely receipt of an executed Transaction Report (for purposes of clarification, the Transaction Report to include the Borrowing Base portion most recently delivered to Bank in accordance with Section 6.2(a));

(b) the representations and warranties in this Agreement shall be true, accurate, and complete in all material respects on the date of the Transaction Report and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in this Agreement remain true, accurate, and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(c) Bank determines to its satisfaction that there has not been a Material Adverse Change;

(d) Borrower has demonstrated to Bank's satisfaction compliance with the covenant set forth in Section 6.8(a) as of the most recently ended month (such compliance to be on a pro forma basis if the covenant was not tested as of the most recently ended month); and

(e) With respect to any Credit Extensions requested to be funded from and after June 30, 2015 through the date of receipt by Bank of Borrower's July 2015 reporting package, Bank shall have received evidence satisfactory to it that Parent and its Subsidiaries have moved all of their respective domestic deposit, securities and other account balances to accounts with Bank and Bank's Affiliates on or prior to June 30, 2015 and that Parent and its Subsidiaries continue as of the Funding Date of such Credit Extension to maintain all of their respective domestic deposit, securities and other account balances to accounts with Bank and Bank's Affiliates, and (ii) Bank shall have received access to view Parent's and its Subsidiaries' Australian bank accounts on Bank's online platform at all times from June 30, 2015 through the Funding Date of such Credit Extension.

3.3 **Post-Closing Conditions**. Within ten (10) Business Days after the Effective Date, but in any event, prior to the initial Credit Extension hereunder, Bank shall have received, in form and substance satisfactory to Bank:

(a) duly executed original signatures to the Guaranty by DT USA in favor of Bank in the form attached hereto as Exhibit F, or in form reasonably satisfactory to Bank, together with the duly executed original signatures to the completed Borrowing Resolutions for DT USA and Intellectual Property Security Agreement for DT USA;

(b) the Operating Documents and long-form good standing certificates of DT USA certified by the Secretary of State (or equivalent agency) of its jurisdiction of organization or formation and each jurisdiction in which it is qualified to conduct business, as of a date no earlier than thirty (30) days prior to the Effective Date;

(c) the Amendment to and Reaffirmation of Subordination Agreement by North Atlantic SBIC IV, L.P. in favor of Bank, together with the duly executed original signatures thereto;

(d) the Perfection Certificate of DT USA, together with the duly executed original signature thereto; and

(e) original stock certificates representing the shares pledged to Bank pursuant to the Guaranty by DT USA, together with original stock powers signed in blank for each such stock certificate.

3.4 **Covenant to Deliver**. Borrower agrees to deliver to Bank each item required to be delivered to Bank under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Bank of any such item shall not constitute a waiver by Bank of Borrower's obligation to deliver such item, and the making of any Credit Extension in the absence of a required item shall be in Bank's sole discretion.

3.5 **Procedures for Borrowing**. Subject to the prior satisfaction of all other applicable conditions to the making of a Credit Extension set forth in this Agreement, to obtain a Credit Extension, Borrower shall notify Bank (which notice shall be irrevocable) by electronic mail by 12:00 p.m. Pacific time on the Funding Date of the Credit Extension. In connection with such notification, Borrower must promptly deliver to Bank by electronic mail a completed Transaction Report (for purposes of clarification, the Transaction Report to include the Borrowing Base portion most recently delivered to Bank in accordance with Section 6.2(a)) executed by an Authorized Signer together with such other reports and information, including without limitation, sales journals, cash receipts journals, accounts receivable aging reports, as Bank may request in its sole discretion. Bank shall credit proceeds of a Credit Extension to the Designated Deposit Account. Bank may make Credit Extensions under this Agreement based on instructions from an Authorized Signer or without instructions if the Credit Extensions are necessary to meet Obligations which have become due.

4 <u>CREATION OF SECURITY INTEREST</u>

4.1 **Grant of Security Interest**. Borrower hereby grants Bank, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Bank, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof.

Borrower acknowledges that it previously has entered, and/or may in the future enter, into Bank Services Agreements with Bank. Regardless of the terms of any Bank Services Agreement, Borrower agrees that any amounts Borrower owes Bank thereunder shall be deemed to be Obligations hereunder and that it is the intent of Borrower and Bank to have all such Obligations secured by the first priority perfected security interest in the Collateral granted herein (subject only to Permitted Liens that may have superior priority to Bank's Lien in this Agreement).

If this Agreement is terminated, Bank's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are satisfied in full, and at such time, Bank shall, at Borrower's sole cost and expense, terminate its security interest in the Collateral and all rights therein shall revert to Borrower. In the event (x) all Obligations (other than inchoate indemnity obligations), except for Bank Services, are satisfied in full, and (y) this Agreement is terminated, Bank shall terminate the security interest granted herein upon Borrower providing cash collateral acceptable to Bank in its good faith business judgment for Bank Services, if any. In the event such Bank Services consist of outstanding Letters of Credit, Borrower shall provide to Bank cash collateral in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred five percent (105.0%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred ten percent (110.0%), of the Dollar Equivalent of the face amount of all such Letters of Credit plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment), to secure all of the Obligations relating to such Letters of Credit.

4.2 **Priority of Security Interest**. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral (subject only to Permitted Liens that are permitted pursuant to the terms of this Agreement to have superior priority to Bank's Lien under this Agreement). If Borrower shall acquire a commercial tort claim for greater than Fifty Thousand Dollars ($50,000), individually or in the aggregate, then, Borrower shall promptly notify Bank in a writing signed by Borrower of the general details thereof and grant to Bank in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Bank.

4.3 **Authorization to File Financing Statements**. Borrower hereby authorizes Bank to file financing statements, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Bank's interest or rights hereunder. Such financing statements may indicate the Collateral as "all assets of the Debtor" or words of similar effect, or as being of an equal or lesser scope, or with greater detail, all in Bank's discretion.

5 REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants as follows:

5.1 Due Organization, Authorization; Power and Authority . Borrower is duly existing and in good standing as a Registered Organization in its jurisdiction of formation and is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its business or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a material adverse effect on Borrower's business and except as set forth in the Perfection Certificate dated as of the Effective Date. In connection with this Agreement, Borrower has delivered to Bank a completed certificate signed by Borrower, entitled "Perfection Certificate". Borrower represents and warrants to Bank that (a) Borrower's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof; (b) Borrower is an organization of the type and is organized in the jurisdiction set forth in the Perfection Certificate; (c) the Perfection Certificate accurately sets forth Borrower's organizational identification number or accurately states that Borrower has none; (d) the Perfection Certificate accurately sets forth Borrower's place of business, or, if more than one, its chief executive office as well as Borrower's mailing address (if different than its chief executive office); (e) except as set forth in the Perfection Certificate, Borrower (and each of its predecessors) has not, in the past five (5) years, changed its jurisdiction of formation, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificate pertaining to Borrower and each of its Subsidiaries is accurate and complete in all material respects (it being understood and agreed that Borrower may from time to time update certain information in the Perfection Certificate after the Effective Date to the extent permitted by one or more specific provisions in this Agreement).

The execution, delivery and performance by Borrower of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's organizational documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or any of its Subsidiaries or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or (v) constitute an event of default under any material agreement by which Borrower is bound. Except as set forth in the Perfection Certificate dated as of the Effective Date, Borrower is not in default under any agreement to which it is a party or by which it is bound in which the default could reasonably be expected to have a material adverse effect on Borrower's business.

5.2 Collateral. Borrower has good title to, has rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder, free and clear of any and all Liens except Permitted Liens. Borrower has no Collateral Accounts at or with any bank or financial institution other than Bank or Bank's Affiliates except for the Collateral Accounts described in the Perfection Certificate delivered to Bank in connection herewith, or of which Borrower has given Bank notice and taken such actions as are necessary to give Bank a perfected security interest therein, pursuant to the terms of Section 6.7. The Accounts are bona fide, existing obligations of the Account Debtors.

The Collateral is not in the possession of any third party bailee (such as a warehouse) except as otherwise provided in the Perfection Certificate. None of the components of the Collateral shall be maintained at locations other than as provided in the Perfection Certificate or as permitted pursuant to Section 7.2.

Borrower is the sole owner of the Intellectual Property which it owns or purports to own except for (a) non-exclusive licenses granted to its customers in the ordinary course of business, (b) licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in respects other than territory, (c) over-the-counter software that is commercially available to the public, and (d) material Intellectual Property licensed to Borrower and noted on the Perfection Certificate. Each Patent which it owns or purports to own and which is material to Borrower's business is valid and enforceable, and no part of the Intellectual Property which Borrower owns or purports to own and which is material to Borrower's business has been judged invalid or unenforceable, in whole or in part. To the best of Borrower's knowledge and except as set forth in the Perfection Certificate dated as of the Effective Date, no claim has been made that any part of the Intellectual Property violates the rights of any third party except to the extent such claim would not reasonably be expected to have a material adverse effect on Borrower's business.

Except as noted on the Perfection Certificate, Borrower is not a party to, nor is it bound by, any Restricted License.

5.3 Accounts Receivable.

(a) For each Account with respect to which Advances are requested, on the date each Advance is requested and made, such Account shall be an Eligible Account.

(b) All statements made and all unpaid balances appearing in all invoices, instruments and other documents evidencing the Eligible Accounts are and shall be true and correct and all such invoices, instruments and other documents, and all of Borrower's Books are genuine and in all respects what they purport to be. Whether or not an Event of Default has occurred and is continuing, Bank may notify any Account Debtor owing Borrower money of Bank's security interest in such funds and verify the amount of such Eligible Account. All sales and other transactions underlying or giving rise to each Eligible Account shall comply in all material respects with all applicable laws and governmental rules and regulations. Borrower has no knowledge of any actual or imminent Insolvency Proceeding of any Account Debtor whose accounts are Eligible Accounts in any Transaction Report. To the best of Borrower's knowledge, all signatures and endorsements on all documents, instruments, and agreements relating to all Eligible Accounts are genuine, and all such documents, instruments and agreements are legally enforceable in accordance with their terms.

5.4 Litigation. Except as set forth in the Perfection Certificate or as disclosed to Bank in writing, there are no actions or proceedings pending or, to the knowledge of any Responsible Officer, threatened in writing by or against Borrower or any of its Subsidiaries involving more than, individually or in the aggregate, Two Hundred Fifty Thousand Dollars ($250,000).

5.5 Financial Statements; Financial Condition. Except as set forth in the Perfection Certificate or as disclosed to Bank in writing, all consolidated financial statements for Borrower and any of its Subsidiaries delivered to Bank fairly present in all material respects Borrower's consolidated financial condition and Borrower's consolidated results of operations. There has not been any material deterioration in Borrower's consolidated financial condition since the date of the most recent financial statements submitted to Bank.

5.6 Solvency. The fair salable value of Borrower's assets (including goodwill minus disposition costs) exceeds the fair value of its liabilities; Borrower is not left with unreasonably small capital after the transactions in this Agreement; and Borrower is able to pay its debts (including trade debts) as they mature.

5.7 Regulatory Compliance. Borrower is not an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Borrower is not engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Borrower has not violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a material adverse effect on its business. None of Borrower's or any of its Subsidiaries' properties or assets has been used by Borrower or any Subsidiary or, to the best of Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than legally. Borrower and each of its Subsidiaries have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

5.8 Subsidiaries; Investments. Borrower does not own any stock, partnership, or other ownership interest or other equity securities except for Permitted Investments.

5.9 **Tax Returns and Payments; Pension Contributions**. Except as set forth in the Perfection Certificate dated as of the Effective Date, Borrower has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except for such taxes, assessments, deposits and contributions which do not, individually or in the aggregate, exceed Twenty-Five Thousand Dollars ($25,000). Borrower may defer payment of any contested taxes, provided that Borrower (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Bank in writing of the commencement of, and any material development in, the proceedings, (c) posts bonds or takes any other steps required to prevent the governmental authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien". Except as set forth in the Perfection Certificate dated as of the Effective Date, Borrower is unaware of any claims or adjustments proposed for any of Borrower's prior tax years which could result in additional taxes becoming due and payable by Borrower in excess of Twenty-Five Thousand Dollars ($25,000). Borrower has paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and Borrower has not withdrawn from participation in, and has not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

5.10 **Use of Proceeds**. Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements and not for personal, family, household or agricultural purposes.

5.11 **Full Disclosure**. No written representation, warranty or other statement of Borrower in any certificate or written statement given to Bank, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Bank, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized by Bank that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.12 **Definition of "Knowledge."** For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of any Responsible Officer.

6 AFFIRMATIVE COVENANTS

Borrower shall do all of the following:

6.1 **Government Compliance**.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Borrower's business or operations. Borrower shall comply, and have each Subsidiary comply with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Borrower's business.

(b) Obtain all of the Governmental Approvals necessary for the performance by Borrower of its obligations under the Loan Documents to which it is a party and the grant of a security interest to Bank in all of its property. Borrower shall promptly provide copies of any such obtained Governmental Approvals to Bank.

6.2 **Financial Statements, Reports, Certificates**. Deliver to Bank the following:

(a) a Transaction Report (and any schedules related thereto) (i) no later than Friday of each week during any Non-Streamline Period, and (ii) within twenty (20) days after the end of each month during any Streamline Period;

(b) aged listings of Borrower's accounts receivable and accounts payable (by invoice date) (i) with each request for an Advance, (ii) no later than Friday of each week during any Non-Streamline Period, and (iii) within twenty (20) days after the end of each month during any Streamline Period;

(c) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated balance sheet, income statement and cash flow statement covering Borrower's consolidated operations for such month certified by a Responsible Officer and in a form acceptable to Bank (the "**Monthly Financial Statements**");

(d) within thirty (30) days after the last day of each month and together with the Monthly Financial Statements, a duly completed Compliance Certificate signed by a Responsible Officer, certifying as of the end of such month, whether or not Borrower was in full compliance with all of the terms and conditions of this Agreement, and setting forth calculations showing compliance with the financial covenants, if any, set forth in this Agreement and such other information as Bank shall reasonably request;

(e) with respect to Parent, as soon as available, but no later than the earlier of (i) ninety (90) days after the last day of Borrower's fiscal year or (ii) five (5) days after filing with the SEC, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm acceptable to Bank in its reasonable discretion;

(f) within five (5) days of delivery, copies of all statements, reports and notices made generally available to Borrower's security holders or to any holders of Subordinated Debt;

(g) in the event that Borrower becomes subject to the reporting requirements under the Exchange Act, within five (5) days of filing, copies of all periodic and other reports, proxy statements and other materials filed by Borrower with the SEC, any Governmental Authority succeeding to any or all of the functions of the SEC or with any national securities exchange, or distributed to its shareholders, as the case may be. Documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the Internet at Borrower's website address;

(h) a prompt report of any legal actions pending or threatened in writing against Borrower or any of its Subsidiaries that could result in damages or costs to Borrower or any of its Subsidiaries of, individually or in the aggregate, Two Hundred Fifty Thousand Dollars ($250,000) or more;

(i) within forty-five (45) days following the first day of Parent's fiscal year, provide Bank with an annual consolidated operating budget for Parent for such fiscal year, which shall include, at a minimum, a consolidated balance sheet, consolidated and consolidating (with respect to Borrower) income statement and consolidated cash flow statement presented in monthly or quarterly formats, as approved by Parent's Board of Directors. In addition, Borrower shall provide Bank any material revisions to such operating budget within a reasonable time following the date such revisions are made;

(j) prompt written notice of (i) any material change in the composition of the Intellectual Property, (ii) the registration of any copyright, including any subsequent ownership right of Borrower in or to any registered copyright, patent or trademark not shown in the IP Agreement, and (iii) Borrower's knowledge of an event that could reasonably be expected to materially and adversely affect the value of the Intellectual Property; and

(k) other financial information reasonably requested by Bank.

6.3 Accounts Receivable.

(a) Schedules and Documents Relating to Accounts. Borrower shall deliver to Bank transaction reports and schedules of collections, as provided in Section 6.2, on Bank’s standard forms; provided, however, that Borrower’s failure to execute and deliver the same shall not affect or limit Bank’s Lien and other rights in all of Borrower’s Accounts, nor shall Bank’s failure to advance or lend against a specific Account affect or limit Bank’s Lien and other rights therein. If requested by Bank in its reasonable discretion, Borrower shall furnish Bank with copies (or, at Bank’s request, originals) of all contracts, orders, invoices, and other similar documents, and all shipping instructions, delivery receipts, bills of lading, and other evidence of delivery, for any goods the sale or disposition of which gave rise to such Accounts. In addition, Borrower shall deliver to Bank, on its request, the originals of all instruments, chattel paper, security agreements, guarantees and other documents and property evidencing or securing any Accounts, in the same form as received, with all necessary endorsements, and copies of all credit memos.

(b) Disputes. Borrower shall promptly notify Bank of all disputes or claims relating to Accounts in excess of One Hundred Thousand Dollars ($100,000) per individual dispute, or Five Hundred Thousand Dollars ($500,000) in the aggregate. Borrower may forgive (completely or partially), compromise, or settle any Account for less than payment in full, or agree to do any of the foregoing so long as (i) Borrower does so in good faith, in a commercially reasonable manner, in the ordinary course of business, in arm’s-length transactions, and reports the same to Bank in the regular reports provided to Bank; (ii) no Event of Default has occurred and is continuing; and (iii) after taking into account all such discounts, settlements and forgiveness, the total outstanding Advances will not exceed the lesser of the Revolving Line or the Borrowing Base.

(c) Reserved.

(d) Returns. Provided no Event of Default has occurred and is continuing, if any Account Debtor returns any Inventory to Borrower in excess of One Hundred Thousand Dollars ($100,000) per individual return, or Five Hundred Thousand Dollars ($500,000) in the aggregate, Borrower shall promptly (i) determine the reason for such return, (ii) issue a credit memorandum to the Account Debtor in the appropriate amount, and (iii) provide a copy of such credit memorandum to Bank, upon request from Bank. In the event any attempted return occurs after the occurrence and during the continuance of any Event of Default, Borrower shall immediately notify Bank of the return of such Inventory.

(e) Verification. Bank may, from time to time, verify directly with the respective Account Debtors the validity, amount and other matters relating to the Accounts, either in the name of Borrower or Bank or such other name as Bank may choose, and notify any Account Debtor of Bank’s security interest in such Account; provided that when no Event of Default has occurred and is continuing, Bank will endeavor to consult with Borrower prior to conducting such verifications.

(f) No Liability. Bank shall not be responsible or liable for any shortage or discrepancy in, damage to, or loss or destruction of, any goods, the sale or other disposition of which gives rise to an Account, or for any error, act, omission, or delay of any kind occurring in the settlement, failure to settle, collection or failure to collect any Account, or for settling any Account in good faith for less than the full amount thereof, nor shall Bank be deemed to be responsible for any of Borrower's obligations under any contract or agreement giving rise to an Account. Nothing herein shall, however, relieve Bank from liability for its own gross negligence or willful misconduct.

6.4 Remittance of Proceeds. Except as otherwise provided in Section 2.6, deliver, in kind, all proceeds arising from the disposition of any Collateral to Bank in the original form in which received by Borrower not later than two (2) Business Day after receipt by Borrower, to be applied to the Obligations (1) prior to an Event of Default that is continuing, pursuant to the terms of Section 2.5(b) hereof, and (2) after the occurrence and during the continuance of an Event of Default, pursuant to the terms of Section 9.4 hereof; provided that, if no Event of Default has occurred and is continuing, Borrower shall not be obligated to remit to Bank the proceeds of the sale of surplus, worn out or obsolete Equipment disposed of by Borrower in good faith in an arm’s length transaction for an aggregate purchase price of One Hundred Thousand Dollars ($100,000) or less (for all such transactions in any fiscal year). Borrower agrees that it will maintain all proceeds of Collateral in an account maintained with Bank. Nothing in this Section limits the restrictions on disposition of Collateral set forth elsewhere in this Agreement.

6.5 **Taxes; Pensions**. Timely file, and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely pay, all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower and each of its Subsidiaries, except for deferred payment of any taxes contested pursuant to the terms of Section 5.9 hereof and for such taxes, assessments, deposits and contributions which do not, individually or in the aggregate, exceed Twenty-Five Thousand Dollars ($25,000), and shall deliver to Bank, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms.

6.6 **Insurance**. Keep its business and the Collateral insured for risks and in amounts standard for companies in Borrower's industry and location and as Bank may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to Bank. All property policies shall have a lender's loss payable endorsement showing Bank as a lender loss payee and waive subrogation against Bank. All liability policies shall show, or have endorsements showing, Bank as an additional insured. All policies (or their respective endorsements) shall provide that the insurer shall give Bank at least twenty (20) days' notice before canceling, amending, or declining to renew its policy. At Bank's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Bank's option, be payable to Bank on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to Fifty Thousand Dollars ($50,000) in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Bank has been granted a first priority security interest, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Bank, be payable to Bank on account of the Obligations. If Borrower fails to obtain insurance as required under this Section 6.6 or to pay any amount or furnish any required proof of payment to third persons and Bank, Bank may make all or part of such payment or obtain such insurance policies required in this Section 6.6, and take any action under the policies Bank deems prudent.

6.7 **Operating Accounts.**

(a) Maintain its primary and its Subsidiaries' primary U.S. operating and other deposit accounts and securities accounts with Bank. Borrower and its Subsidiaries may maintain their non-U.S. accounts and U.S. and foreign merchant accounts with other banks; provided, however, that any such other U.S. banks and Borrower enter into Control Agreements with Bank, which shall be satisfactory to Bank in all respects; provided that Borrower shall be permitted to maintain balances in an aggregate amount not to exceed Two Hundred Fifty Thousand Dollars ($250,000) in accounts not subject to Control Agreements.

(b) Provide Bank five (5) days prior written notice before establishing any Collateral Account at or with any bank or financial institution other than Bank or Bank's Affiliates. For each Collateral Account that Borrower at any time maintains, Borrower shall cause the applicable bank or financial institution (other than Bank) at or with which any Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Bank's Lien in such Collateral Account in accordance with the terms hereunder which Control Agreement may not be terminated without the prior written consent of Bank. The provisions of the previous sentence shall not apply to deposit accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's employees and identified to Bank by Borrower as such, or to the extent permitted in Section 6.7(a) above.

6.8 **Financial Covenants**. Maintain at all times, subject to periodic reporting as of the last day of each month, unless either (x) no Advances are outstanding or (y) the aggregate amount of Parent's and Borrower's combined unrestricted cash and Cash Equivalents on deposit with Bank or Bank's Affiliates (including cash and Cash Equivalents subject to Control Agreements) is greater than or equal to Fifteen Million Dollars ($15,000,000):

(a) Trailing Three Month Adjusted EBITDA. Maintain Adjusted EBITDA, measured on a trailing three (3) month basis for the periods set forth below, of at least the following:

Three Months Ending	**Minimum Trailing 3-Month Adjusted EBITDA**
June 30, 2015	($4,000,000)
July 31, 2015	($3,400,000)
August 31, 2015	($2,800,000)
September 30, 2015	($2,200,000)
October 31, 2015	($1,600,000)
November 30, 2015	($700,000)
December 31, 2015 and each three-month period thereafter	$500,000

Notwithstanding the foregoing, the Adjusted EBITDA covenant will not be tested for the three months ending June 30, 2015, so long as (i) on or before June 30, 2015, Bank shall have received evidence satisfactory to it that Parent and its Subsidiaries have moved all of their respective domestic deposit, securities and other account balances to accounts with Bank and Bank's Affiliates and Parent and its Subsidiaries shall continue to maintain such balances with Bank and Bank's Affiliates at all times thereafter through the date Bank receives Borrower's July 2015 reporting package, and (ii) Bank shall have access to view Parent's and its Subsidiaries' Australian bank accounts on Bank's online platform at all times from June 30, 2015 through the date Bank receives Borrower's July 2015 reporting package.

6.9 **Protection and Registration of Intellectual Property Rights**.

(a) (i) Protect, defend and maintain the validity and enforceability of its Intellectual Property; (ii) promptly advise Bank in writing of material infringements or any other event that could reasonably be expected to materially and adversely affect the value of its material Intellectual Property; and (iii) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Bank's written consent.

(b) To the extent not already disclosed in writing to Bank, if Borrower (i) obtains any Patent, registered Trademark, registered Copyright, registered mask work, or any pending application for any of the foregoing, whether as owner, licensee or otherwise, or (ii) applies for any Patent or the registration of any Trademark, then Borrower shall immediately provide written notice thereof to Bank and shall execute such intellectual property security agreements and other documents and take such other actions as Bank may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Bank in such property. If Borrower decides to register any Copyrights or mask works in the United States Copyright Office, Borrower shall: (x) provide Bank with at least fifteen (15) days prior written notice of Borrower's intent to register such Copyrights or mask works together with a copy of the application it intends to file with the United States Copyright Office (excluding exhibits thereto); (y) execute an intellectual property security agreement and such other documents and take such other actions as Bank may request in its good faith business judgment to perfect and maintain a first priority perfected security interest in favor of Bank in the Copyrights or mask works intended to be registered with the United States Copyright Office; and (z) record such intellectual property security agreement with the United States Copyright Office contemporaneously with filing the Copyright or mask work application(s) with the United States Copyright Office. Borrower shall promptly provide to Bank copies of all applications that it files for Patents or for the registration of Trademarks, Copyrights or mask works, together with evidence of the recording of the intellectual property security agreement required for Bank to perfect and maintain a first priority perfected security interest in such property.

(c) Provide written notice to Bank within the later of delivery of Borrower's next Compliance Certificate or ten (10) days of entering or becoming bound by any Restricted License (other than over-the-counter software that is commercially available to the public). Borrower shall take such commercially reasonable steps as Bank requests to obtain the consent of, or waiver by, any person whose consent or waiver is necessary for (i) any Restricted License to be deemed "Collateral" and for Bank to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such Restricted License, whether now existing or entered into in the future, and (ii) Bank to have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Bank's rights and remedies under this Agreement and the other Loan Documents.

6.10 **Litigation Cooperation**. From the date hereof and continuing through the termination of this Agreement, make available to Bank, without expense to Bank, Borrower and its officers, employees and agents and Borrower's books and records, to the extent that Bank may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against Bank with respect to any Collateral or relating to Borrower.

6.11 **Access to Collateral; Books and Records**. Allow Bank, or its agents, at reasonable times, on three (3) Business Days' notice (provided no notice is required if an Event of Default has occurred and is continuing), to inspect the Collateral and audit and copy Borrower's Books. Such inspections or audits shall be conducted no more often than once every twelve (12) months unless an Event of Default has occurred and is continuing. The foregoing inspections and audits shall be at Borrower's expense, and the charge therefor shall be $850 per person per day (or such higher amount as shall represent Bank's then-current standard charge for the same), plus reasonable out-of-pocket expenses. Borrower hereby acknowledges that such an audit shall occur within sixty (60) days of the Effective Date (unless Bank shall elect in its sole discretion to extend such timeframe in writing). In the event Borrower and Bank schedule an audit more than ten (10) days in advance, and Borrower cancels or seeks to reschedule the audit with less than ten (10) days written notice to Bank, then (without limiting any of Bank's rights or remedies), Borrower shall pay Bank a fee of $1,000 plus any out-of-pocket expenses incurred by Bank to compensate Bank for the anticipated costs and expenses of the cancellation or rescheduling.

6.12 **Further Assurances**. Execute any further instruments and take further action as Bank reasonably requests to perfect or continue Bank's Lien in the Collateral or to effect the purposes of this Agreement. Deliver to Bank, within five (5) days after the same are sent or received, copies of all correspondence, reports, documents and other filings with any Governmental Authority regarding compliance with or maintenance of Governmental Approvals or Requirements of Law or that could reasonably be expected to have a material effect on any of the Governmental Approvals or otherwise on the operations of Borrower or any of its Subsidiaries, unless Borrower is prohibited by applicable law or regulation from doing so.

7 NEGATIVE COVENANTS

Borrower shall not do any of the following without Bank's prior written consent:

7.1 Dispositions. Convey, sell, lease, transfer, assign, or otherwise dispose of (collectively, " **Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; (c) in connection with Permitted Liens and Permitted Investments; (d) of non-exclusive licenses for the use of the property of Borrower or its Subsidiaries in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; (e) consisting of the sale or issuance of any stock of Borrower to Parent; (f) consisting of Borrower's use or transfer of money or Cash Equivalents in the ordinary course of business in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; and (g) of Borrower's property to Parent so long as the secured guaranty by Parent of the Obligations remains in full force and effect.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses currently engaged in by Borrower and such Subsidiary, as applicable, or reasonably related thereto; (b) liquidate or dissolve; or (c) (i) fail to provide notice to Bank of Borrower's Chief Executive Officer departing from or ceasing to be employed by Borrower within five (5) days after his departure from Borrower, or fail to appoint a replacement Chief Executive Officer acceptable to Borrower's board of directors within ninety (90) days of such departure; (ii) enter into any transaction or series of related transactions in which the stockholders of Parent who were not stockholders immediately prior to the first such transaction own more than forty-nine percent (49%) of the voting stock of Parent immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Parent's equity securities in a public offering or to venture capital or private equity investors so long as Borrower identifies to Bank the venture capital or private equity investors at least seven (7) Business Days prior to the closing of the transaction and provides to Bank a description of the material terms of the transaction); (iii) permit DT USA to cease being a wholly-owned Subsidiary of Parent; or (iv) cease being a wholly-owned Subsidiary of Parent.

Borrower shall not, without at least thirty (30) days prior written notice to Bank: (1) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than One Hundred Thousand Dollars ($100,000) in Borrower's assets or property) or deliver any portion of the Collateral valued, individually or in the aggregate, in excess of One Hundred Thousand Dollars ($100,000) to a bailee at a location other than to a bailee and at a location already disclosed in the Perfection Certificate, (2) change its jurisdiction of organization, (3) change its organizational structure or type, (4) change its legal name, or (5) change any organizational number (if any) assigned by its jurisdiction of organization. If Borrower intends to deliver any portion of the Collateral valued, individually or in the aggregate, in excess of One Hundred Thousand Dollars ($100,000) to a bailee, and Bank and such bailee are not already parties to a bailee agreement governing both the Collateral and the location to which Borrower intends to deliver the Collateral, then Borrower will first receive the written consent of Bank and use commercially reasonable efforts to cause such bailee to execute and deliver a bailee agreement in form and substance satisfactory to Bank in its sole discretion.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person (including, without limitation, by the formation of any Subsidiary). A Subsidiary may merge or consolidate into another Subsidiary or into Borrower.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, permit any Collateral not to be subject to the first priority security interest granted herein, or enter into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower or any Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or any Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein.

7.6 **Maintenance of Collateral Accounts**. Maintain any Collateral Account except pursuant to the terms of Section 6.7(b) hereof.

7.7 **Distributions; Investments**. (a) Pay any dividends or make any distribution or payment or redeem, retire or purchase any capital stock; provided, however, that Borrower may (i) repurchase capital stock from former directors, officers, employees or consultants at the original purchase price thereof, but not to exceed in the aggregate of Fifty Thousand Dollars ($50,000) per fiscal year, as permitted by Borrower's equity incentive plans, restricted stock purchase agreements, stock option agreements, stock grant agreements or similar agreements, so long as an Event of Default does not exist at the time of such repurchase and would not exist after giving effect to such repurchase and (ii) pay dividends to Parent; or (b) directly or indirectly make any Investment (including, without limitation, by the formation of any Subsidiary) other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 **Transactions with Affiliates** . Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower, except for (i) transactions that are in the ordinary course of Borrower's business, upon fair and reasonable terms that are no less favorable to Borrower than would be obtained in an arm's length transaction with a non-affiliated Person and transactions permitted pursuant to the terms of Section 7.2 hereof, (ii) sale and/or issuance of equity or Subordinated Debt to Parent in the ordinary course of business or otherwise approved by Borrower's board of directors, (iii) other transactions with Parent in the ordinary course of business.

7.9 **Subordinated Debt**. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to Bank.

7.10 **Compliance**. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Borrower's business, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any material liability of Borrower, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

8 EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 **Payment Default**. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day cure period shall not apply to payments due on the Revolving Line Maturity Date or Second Supplemental Term Loan Maturity Date). During the cure period, the failure to make or pay any payment specified under clause (b) hereunder is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower fails or neglects to perform any obligation in Sections 2.2, 2.6, 3.3, 6.2, 6.5, 6.6, 6.7, 6.8, 6.9(c), or 6.11 or violates any covenant in Section 7; or

(b) Borrower fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Cure periods provided under this section shall not apply, among other things, to financial covenants or any other covenants set forth in clause (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or of any entity under the control of Borrower (including a Subsidiary) on deposit or otherwise maintained with Bank or any Bank Affiliate, or (ii) a notice of lien or levy is filed against any of Borrower's assets by any Government Authority, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; or

(b) (i) any material portion of Borrower's assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower from conducting all or any material part of its business;

8.5 Insolvency. (a) Borrower is unable to pay its debts (including trade debts) as they become due or otherwise becomes insolvent; (b) Borrower begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while of any of the conditions described in clause (a) exist and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is, under any agreement to which Borrower or any Guarantor is a party with a third party or parties, (a) any default resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount individually or in the aggregate in excess of Two Hundred Fifty Thousand Dollars ($250,000); or (b) any breach or default by Borrower or Guarantor, the result of which could have a material adverse effect on Borrower's or any Guarantor's business;

8.7 Judgments; Penalties. One or more fines, penalties or final judgments, orders or decrees for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Fifty Thousand Dollars ($250,000) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower by any Governmental Authority, and the same are not, within ten (10) days after the entry, assessment or issuance thereof, discharged, satisfied, or paid, or after execution thereof, stayed or bonded pending appeal, or such judgments are not discharged prior to the expiration of any such stay (provided that no Credit Extensions will be made prior to the satisfaction, payment, discharge, stay, or bonding of such fine, penalty, judgment, order or decree);

8.8 Misrepresentations. Borrower or any Person acting for Borrower makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Bank or to induce Bank to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 **Subordinated Debt**. Any document, instrument, or agreement evidencing any Subordinated Debt shall for any reason be revoked or invalidated or otherwise cease to be in full force and effect except pursuant to the terms of such Subordinated Debt, any Person shall be in breach thereof or contest in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations shall for any reason be subordinated or shall not have the priority contemplated by this Agreement;

8.10 **Governmental Approvals**. Any Governmental Approval shall have been (a) revoked, rescinded, suspended, modified in an adverse manner or not renewed in the ordinary course for a full term or (b) subject to any decision by a Governmental Authority that designates a hearing with respect to any applications for renewal of any of such Governmental Approval or that could result in the Governmental Authority taking any of the actions described in clause (a) above, and such decision or such revocation, rescission, suspension, modification or non-renewal (i) cause, or could reasonably be expected to cause, a Material Adverse Change, or (ii) adversely affects the legal qualifications of Borrower or any of its Subsidiaries to hold such Governmental Approval in any applicable jurisdiction and such revocation, rescission, suspension, modification or non-renewal could reasonably be expected to affect the status of or legal qualifications of Borrower or any of its Subsidiaries to hold any Governmental Approval in any other jurisdiction;

8.11 **Guaranty**. (a) Any guaranty of any Obligations terminates or ceases for any reason to be in full force and effect; (b) any Guarantor does not perform, or violates, any covenant or other material obligation under any guaranty of the Obligations; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8 occurs with respect to any Guarantor (provided that with respect to Parent, the applicable threshold under Section 8.7 shall be Five Hundred Thousand Dollars ($500,000)), or (d) the liquidation, winding up, or termination of existence of any Guarantor; or

8.12 **Affiliate Assets**. At any time on or after the earlier of (a) ten (10) Business Days after the Effective Date, or (b) the date of the initial Credit Extension hereunder (such earlier date, the "**Affiliate Negative Pledge Date**"): Except to the extent disclosed to Bank in writing in a Schedule of Exceptions delivered to and approved by Bank in writing in its sole discretion on or prior to the Affiliate Negative Pledge Date, (i) any direct or indirect Subsidiary of Parent conveys, sells, leases, transfers, assigns, or otherwise disposes of all or any part of its business or property, other than Transfers (A) of Inventory in the ordinary course of business; (B) of worn-out or obsolete Equipment; (C) in connection with Permitted Liens and Permitted Investments; (D) of non-exclusive licenses for the use of such property in the ordinary course of business and licenses that could not result in a legal transfer of title of the licensed property but that may be exclusive in respects other than territory and that may be exclusive as to territory only as to discreet geographical areas outside of the United States; (E) consisting of such entity's use or transfer of money or Cash Equivalents in the ordinary course of business in a manner that is not prohibited by the terms of this Agreement or the other Loan Documents; and (F) of such entity's property to Borrower or to Parent so long as the secured guaranty by Parent of the Obligations remains in full force and effect; (ii) any direct or indirect Subsidiary of Parent creates, incurs, assumes, or becomes liable for any Indebtedness other than Permitted Indebtedness; (iii) any direct or indirect Subsidiary of Parent creates, incurs, allows, or suffers a Lien on any of its property; or (iv) any direct or indirect Subsidiary of Parent enters into any agreement, document, instrument or other arrangement (except with or in favor of Bank) with any other Person which directly or indirectly prohibits or has the effect of prohibiting such Subsidiary from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any its Intellectual Property.

9 <u>BANK'S RIGHTS AND REMEDIES</u>

9.1 **Rights and Remedies**. While an Event of Default occurs and continues, Bank may, without notice or demand, do any or all of the following:

(a) declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations are immediately due and payable without any action by Bank);

(b) stop advancing money or extending credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Bank;

(c) for any Letters of Credit, demand that Borrower (i) deposit cash with Bank in an amount equal to (x) if such Letters of Credit are denominated in Dollars, then at least one hundred five percent (105.0%); and (y) if such Letters of Credit are denominated in a Foreign Currency, then at least one hundred ten percent (110.0%), of the Dollar Equivalent of the aggregate face amount of all Letters of Credit remaining undrawn (plus all interest, fees, and costs due or to become due in connection therewith (as estimated by Bank in its good faith business judgment)), to secure all of the Obligations relating to such Letters of Credit, as collateral security for the repayment of any future drawings under such Letters of Credit, and Borrower shall forthwith deposit and pay such amounts, and (ii) pay in advance all letter of credit fees scheduled to be paid or payable over the remaining term of any Letters of Credit;

(d) terminate any FX Contracts;

(e) verify the amount of, demand payment of and performance under, and collect any Accounts and General Intangibles, settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Bank considers advisable, and notify any Person owing Borrower money of Bank's security interest in such funds;

(f) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Bank requests and make it available as Bank designates. Bank may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Bank a license to enter and occupy any of its premises, without charge, to exercise any of Bank's rights or remedies;

(g) apply to the Obligations (i) any balances and deposits of Borrower it holds, or (ii) any amount held by Bank owing to or for the credit or the account of Borrower;

(h) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell the Collateral. Bank is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's labels, Patents, Copyrights, mask works, rights of use of any name, trade secrets, trade names, Trademarks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Bank's exercise of its rights under this Section, Borrower's rights under all licenses and all franchise agreements inure to Bank's benefit;

(i) place a "hold" on any account maintained with Bank and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(j) demand and receive possession of Borrower's Books; and

(k) exercise all rights and remedies available to Bank under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

9.2 **Power of Attorney**. Borrower hereby irrevocably appoints Bank as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's name on any checks or other forms of payment or security; (b) sign Borrower's name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Bank determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Bank or a third party as the Code permits. Borrower hereby appoints Bank as its lawful attorney-in-fact to sign Borrower's name on any documents necessary to perfect or continue the perfection of Bank's security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations have been satisfied in full and Bank is under no further obligation to make Credit Extensions hereunder. Bank's foregoing appointment as Borrower's attorney in fact, and all of Bank's rights and powers, coupled with an interest, are irrevocable until all Obligations have been fully repaid and performed and Bank's obligation to provide Credit Extensions terminates.

9.3 **Protective Payments**. If Borrower fails to obtain the insurance called for by Section 6.6 or fails to pay any premium thereon or fails to pay any other amount which Borrower is obligated to pay under this Agreement or any other Loan Document or which may be required to preserve the Collateral, Bank may obtain such insurance or make such payment, and all amounts so paid by Bank are Bank Expenses and immediately due and payable, bearing interest at the then highest rate applicable to the Obligations, and secured by the Collateral. Bank will make reasonable efforts to provide Borrower with notice of Bank obtaining such insurance at the time it is obtained or within a reasonable time thereafter. No payments by Bank are deemed an agreement to make similar payments in the future or Bank's waiver of any Event of Default.

9.4 **Application of Payments and Proceeds Upon Default**. If an Event of Default has occurred and is continuing, Bank shall have the right to apply in any order any funds in its possession, whether from Borrower account balances, payments, proceeds realized as the result of any collection of Accounts or other disposition of the Collateral, or otherwise, to the Obligations. Bank shall pay any surplus to Borrower by credit to the Designated Deposit Account or other account designated in writing by Borrower or to other Persons legally entitled thereto; Borrower shall remain liable to Bank for any deficiency. If Bank, in its good faith business judgment, directly or indirectly, enters into a deferred payment or other credit transaction with any purchaser at any sale of Collateral, Bank shall have the option, exercisable at any time, of either reducing the Obligations by the principal amount of the purchase price or deferring the reduction of the Obligations until the actual receipt by Bank of cash therefor.

9.5 **Bank's Liability for Collateral**. So long as Bank complies with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Bank, Bank shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 **No Waiver; Remedies Cumulative**. Bank's failure, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Bank thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by the party granting the waiver and then is only effective for the specific instance and purpose for which it is given. Bank's rights and remedies under this Agreement and the other Loan Documents are cumulative. Bank has all rights and remedies provided under the Code, by law, or in equity. Bank's exercise of one right or remedy is not an election and shall not preclude Bank from exercising any other remedy under this Agreement or other remedy available at law or in equity, and Bank's waiver of any Event of Default is not a continuing waiver. Bank's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 **Demand Waiver**. Borrower waives demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Bank on which Borrower is liable.

10 NOTICES

All notices, consents, requests, approvals, demands, or other communication by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by electronic mail or facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Bank or Borrower may change its mailing or electronic mail address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

;

If to Borrower:	Digital Turbine Media, Inc 1300 Guadalupe Street, Suite 302 Austin, TX 78701 Attn: Andrew Schleimer Email: andrew@digitalturbine.com	
With a copy (which shall not constitute notice) to:		Latham & Watkins LLP 505 Montgomery Street Suite 2000 San Francisco, CA 94111-6538 Attn: Haim Zaltzman, Esq. Fax: (415) 395-8095 Email: haim.zaltzman@lw.com
If to Bank:		Silicon Valley Bank 38 Technology Drive West, Suite 150 Irvine, CA 92618 Attn: Victor Le Fax: (949) 790-9020 Email: vle@svb.com

11 CHOICE OF LAW, VENUE, JURY TRIAL WAIVER AND JUDICIAL REFERENCE

Except as otherwise expressly provided in any of the Loan Documents, California law governs the Loan Documents without regard to principles of conflicts of law. Borrower and Bank each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California; provided, however, that nothing in this Agreement shall be deemed to operate to preclude Bank from bringing suit or taking other legal action in any other jurisdiction to realize on the Collateral or any other security for the Obligations, or to enforce a judgment or other court order in favor of Bank. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND BANK EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR BOTH PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

WITHOUT INTENDING IN ANY WAY TO LIMIT THE PARTIES' AGREEMENT TO WAIVE THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY, if the above waiver of the right to a trial by jury is not enforceable, the parties hereto agree that any and all disputes or controversies of any nature between them arising at any time shall be decided by a reference to a private judge, mutually selected by the parties (or, if they cannot agree, by the Presiding Judge of the Santa Clara County, California Superior Court) appointed in accordance with California Code of Civil Procedure Section 638 (or pursuant to comparable provisions of federal law if the dispute falls within the exclusive jurisdiction of the federal courts), sitting without a jury, in Santa Clara County, California; and the parties hereby submit to the jurisdiction of such court. The reference proceedings shall be conducted pursuant to and in accordance with the provisions of California Code of Civil Procedure Sections 638 through 645.1, inclusive. The private judge shall have the power, among others, to grant provisional relief, including without limitation, entering temporary restraining orders, issuing preliminary and permanent injunctions and appointing receivers. All such proceedings shall be closed to the public and confidential and all records relating thereto shall be permanently sealed. If during the course of any dispute, a party desires to seek provisional relief, but a judge has not been appointed at that point pursuant to the judicial reference procedures, then such party may apply to the Santa Clara County, California Superior Court for such relief. The proceeding before the private judge shall be conducted in the same manner as it would be before a court under the rules of evidence applicable to judicial proceedings. The parties shall be entitled to discovery which shall be conducted in the same manner as it would be before a court under the rules of discovery applicable to judicial proceedings. The private judge shall oversee discovery and may enforce all discovery rules and orders applicable to judicial proceedings in the same manner as a trial court judge. The parties agree that the selected or appointed private judge shall have the power to decide all issues in the action or proceeding, whether of fact or of law, and shall report a statement of decision thereon pursuant to California Code of Civil Procedure Section 644(a). Nothing in this paragraph shall limit the right of any party at any time to exercise self-help remedies, foreclose against collateral, or obtain provisional remedies. The private judge shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph.

This Section 11 shall survive the termination of this Agreement.

12 GENERAL PROVISIONS

12.1 Termination of Revolving Line Prior to Revolving Line Maturity Date; Survival. All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The Revolving Line may be terminated prior to the Revolving Line Maturity Date by Borrower, effective three (3) Business Days after written notice of termination is given to Bank. Those obligations that are expressly specified in this Agreement as surviving this Agreement's termination shall continue to survive notwithstanding the Revolving Line's or this Agreement's termination.

12.2 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not assign this Agreement or any rights or obligations under it without Bank's prior written consent (which may be granted or withheld in Bank's discretion). Bank has the right, without the consent of or notice to Borrower, to sell, transfer, assign, negotiate, or grant participation in all or any part of, or any interest in, Bank's obligations, rights, and benefits under this Agreement and the other Loan Documents. Notwithstanding the foregoing, so long as no Event of Default shall have occurred and is continuing, Bank shall not assign its interest in the Loan Documents to any Person who in the reasonable estimation of Bank is (a) a direct competitor of Borrower, whether as an operating company or direct or indirect parent with voting control over such operating company, or (b) a vulture fund or distressed debt fund.

12.3 Indemnification. Borrower agrees to indemnify, defend and hold Bank and its directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Bank (each, an "**Indemnified Person**") harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") claimed or asserted by any other party in connection with the transactions contemplated by the Loan Documents; and (b) all losses or expenses (including Bank Expenses) in any way suffered, incurred, or paid by such Indemnified Person as a result of, following from, consequential to, or arising from transactions between Bank and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by such Indemnified Person's gross negligence or willful misconduct.

This Section 12.3 shall survive until all statutes of limitation with respect to the Claims, losses, and expenses for which indemnity is given shall have run.

12.4 **Time of Essence**. Time is of the essence for the performance of all Obligations in this Agreement.

12.5 **Severability of Provisions**. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.6 **Correction of Loan Documents**. Bank may correct patent errors and fill in any blanks in the Loan Documents consistent with the agreement of the parties.

12.7 **Amendments in Writing; Waiver; Integration**. No purported amendment or modification of any Loan Document, or waiver, discharge or termination of any obligation under any Loan Document, shall be enforceable or admissible unless, and only to the extent, expressly set forth in a writing signed by the party against which enforcement or admission is sought. Without limiting the generality of the foregoing, no oral promise or statement, nor any action, inaction, delay, failure to require performance or course of conduct shall operate as, or evidence, an amendment, supplement or waiver or have any other effect on any Loan Document. Any waiver granted shall be limited to the specific circumstance expressly described in it, and shall not apply to any subsequent or other circumstance, whether similar or dissimilar, or give rise to, or evidence, any obligation or commitment to grant any further waiver. The Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of the Loan Documents merge into the Loan Documents.

12.8 **Counterparts**. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.9 **Confidentiality**. In handling any confidential information, Bank shall exercise the same degree of care that it exercises for its own proprietary information, but disclosure of information may be made: (a) to Bank's Subsidiaries or Affiliates (such Subsidiaries and Affiliates, together with Bank, collectively, "**Bank Entities**"); (b) to prospective transferees or purchasers of any interest in the Credit Extensions (provided, however, that any prospective transferee or purchaser shall have entered into an agreement containing provisions substantially the same as those in this Section 12.9); (c) as required by law, regulation, subpoena, or other order; (d) to Bank's regulators or as otherwise required in connection with Bank's examination or audit; (e) as Bank considers appropriate in exercising remedies under the Loan Documents; and (f) to third-party service providers of Bank so long as such service providers have executed a confidentiality agreement with Bank with terms no less restrictive than those contained herein. Confidential information does not include information that is either: (i) in the public domain or in Bank's possession when disclosed to Bank, or becomes part of the public domain after disclosure to Bank; or (ii) disclosed to Bank by a third party if Bank does not know that the third party is prohibited from disclosing the information.

Bank Entities may use the confidential information for reporting purposes and the development and distribution of databases and market analyses so long as such confidential information is aggregated and anonymized prior to distribution unless otherwise expressly prohibited by Borrower. The provisions of the immediately preceding sentence shall survive the termination of this Agreement.

12.10 **Attorneys' Fees, Costs and Expenses**. In any action or proceeding between Borrower and Bank arising out of or relating to the Loan Documents, the prevailing party shall be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled.

12.11 **Electronic Execution of Documents**. The words "execution," "signed," "signature" and words of like import in any Loan Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity and enforceability as a manually executed signature or the use of a paper-based recordkeeping systems, as the case may be, to the extent and as provided for in any applicable law, including, without limitation, any state law based on the Uniform Electronic Transactions Act.

12.12 **Captions**. The headings used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

12.13 **Construction of Agreement**. The parties mutually acknowledge that they and their attorneys have participated in the preparation and negotiation of this Agreement. In cases of uncertainty this Agreement shall be construed without regard to which of the parties caused the uncertainty to exist.

12.14 **Relationship**. The relationship of the parties to this Agreement is determined solely by the provisions of this Agreement. The parties do not intend to create any agency, partnership, joint venture, trust, fiduciary or other relationship with duties or incidents different from those of parties to an arm's-length contract.

12.15 **Third Parties**. Nothing in this Agreement, whether express or implied, is intended to: (a) confer any benefits, rights or remedies under or by reason of this Agreement on any persons other than the express parties to it and their respective permitted successors and assigns; (b) relieve or discharge the obligation or liability of any person not an express party to this Agreement; or (c) give any person not an express party to this Agreement any right of subrogation or action against any party to this Agreement.

12.16 **No Novation**. Nothing contained herein shall in any way impair the Prior Loan Agreement and other Loan Documents now held for the Obligations, nor affect or impair any rights, powers, or remedies under the Prior Loan Agreement or any Loan Document with respect to any event, action or inaction that occurred prior to the Effective Date, it being the intent of the parties hereto that this Agreement shall not constitute a novation of the Prior Loan Agreement or an accord and satisfaction of the Obligations but the provisions of this Agreement shall amend and restate the terms of the Prior Loan Agreement effective as of the Effective Date. Borrower hereby ratifies and reaffirms the validity and enforceability of all of the liens and security interests heretofore granted pursuant to the Loan Documents, as collateral security for the Obligations, and acknowledges that all of such liens and security interests, and all Collateral heretofore pledged as security for the Obligations, continues to be and remains Collateral for the Obligations from and after the date hereof.

13 DEFINITIONS

13.1 **Definitions**. As used in the Loan Documents, the word "shall" is mandatory, the word "may" is permissive, the word "or" is not exclusive, the words "includes" and "including" are not limiting, the singular includes the plural, and numbers denoting amounts that are set off in brackets are negative. As used in this Agreement, the following capitalized terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Advance**" or "**Advances**" means a revolving credit loan (or revolving credit loans) under the Revolving Line.

"**Adjusted EBITDA**" is, for any period as at any date of determination, (a) Parent's EBITDA for such period, plus (b) non-cash expenses and non-cash charges, minus (c) non-cash income and non-recurring income, plus (d) other add-backs approved to Bank in writing in its sole discretion.

"**Adjusted Quick Ratio**" is the ratio of Parent's consolidated (a) Quick Assets to (b) (i) Current Liabilities minus (ii) Deferred Revenue minus (iii) non-cash liabilities.

"**Affiliate**" is, with respect to any Person, each other Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Affiliate Negative Pledge Date**" is defined in Section 8.12.

"**Agreement**" is defined in the preamble hereof.

"**Assignment of Representations**" is that certain Assignment of Representations, Warranties, Covenants and Indemnities, by and between Bank and Borrower, dated as of February 19, 2010.

“**Authorized Signer**” is any individual listed in Borrower’s Borrowing Resolution who is authorized to execute the Loan Documents, including any Advance request, on behalf of Borrower.

“**Availability Amount**” is (a) the lesser of (i) the Revolving Line or (ii) the amount available under the Borrowing Base minus (b) the outstanding principal balance of any Advances minus (c) the outstanding principal balance of the Second Supplemental Term Loan minus (d) any amounts outstanding with respect to Bank Services.

“**Bank**” is defined in the preamble hereof.

“**Bank Entities**” is defined in Section 12.9.

“**Bank Expenses**” are all audit fees and expenses, costs, and expenses (including reasonable attorneys’ fees and expenses) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred with respect to Borrower or any Guarantor.

“**Bank Services**” are any products, credit services, and/or financial accommodations previously, now, or hereafter provided to Borrower or any of its Subsidiaries by Bank or any Bank Affiliate, including, without limitation, any letters of credit, cash management services (including, without limitation, merchant services, direct deposit of payroll, business credit cards, and check cashing services), interest rate swap arrangements, and foreign exchange services as any such products or services may be identified in Bank’s various agreements related thereto (each, a “**Bank Services Agreement**”).

“**Borrower**” is defined in the preamble hereof

“**Borrower’s Books**” are all Borrower’s books and records including ledgers, federal and state tax returns, records regarding Borrower’s assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“**Borrowing Base**” is eighty percent (80%) of Eligible Accounts, as determined by Bank from Borrower’s most recent Transaction Report; provided, however, that Eligible Foreign Accounts shall constitute no more than One Million Seven Hundred Fifty Thousand Dollars ($1,750,000) of the Borrowing Base; provided, further, that Bank has the right to decrease the foregoing percentage and/or amount in its good faith business judgment to mitigate the impact of events, conditions, contingencies, or risks which may adversely affect the Collateral or its value. For purposes of clarification, the net amount advanced against Eligible Foreign Accounts may not exceed One Million Seven Hundred Fifty Thousand Dollars ($1,750,000).

“**Borrowing Resolutions**” are, with respect to any Person, those resolutions substantially in the form attached hereto as Exhibit D.

“**Business Day**” is any day that is not a Saturday, Sunday or a day on which Bank is closed.

“**Cash Collateral Account**” is defined in Section 2.6(a).

“**Cash Equivalents**” means (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; (c) Bank’s certificates of deposit issued maturing no more than one (1) year after issue; and (d) money market funds at least ninety-five percent (95%) of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (c) of this definition.

“**Claims**” is defined in Section 12.3.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of California; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Bank's Lien on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of California, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account.

"**Collections**" is defined in Section 2.6(c).

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit B.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation, in each case, directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower maintains a Securities Account or a Commodity Account, Borrower, and Bank pursuant to which Bank obtains control (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is any Advance, Overadvance, Second Supplemental Term Loan, or any other extension of credit by Bank for Borrower's benefit under this Agreement.

"**Current Liabilities**" are all obligations and liabilities of Parent (on a consolidated basis) to Bank, plus, without duplication, the aggregate amount of Parent's Total Liabilities (on a consolidated basis) that mature within one (1) year.

"**Default Rate**" is defined in Section 2.3(b).

"**Deferred Revenue**" is all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue.

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is the multicurrency account, denominated in Dollars, account number xxxxxxx, maintained by Borrower with Bank.

"**Dollars**," "**dollars**" or use of the sign "**$**" means only lawful money of the United States and not any other currency, regardless of whether that currency uses the "$" sign to denote its currency or may be readily converted into lawful money of the United States.

"**Dollar Equivalent**" is, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in a Foreign Currency, the equivalent amount therefor in Dollars as determined by Bank at such time on the basis of the then-prevailing rate of exchange in San Francisco, California, for sales of the Foreign Currency for transfer to the country issuing such Foreign Currency.

"**Domestic Subsidiary**" means a Subsidiary organized under the laws of the United States or any state or territory thereof or the District of Columbia.

"**DT USA**" means Digital Turbine USA, Inc., a Delaware corporation.

"**EBITDA**" shall mean Parent's consolidated (a) Net Income, plus (b) Interest Expense, plus (c) to the extent deducted in the calculation of Net Income, depreciation expense and amortization expense, plus (d) income tax expense.

"**Effective Date**" is defined in the preamble hereof.

"**Eligible Accounts**" means Accounts which arise in the ordinary course of Borrower's business that meet all Borrower's representations and warranties in Section 5.3. Bank reserves the right at any time after the Effective Date to adjust any of the criteria set forth below and to establish new criteria in its good faith business judgment. Unless Bank otherwise agrees in writing, Eligible Accounts shall not include:

(a) Accounts for which the Account Debtor is Borrower's Affiliate, officer, employee, or agent;

(b) Accounts that the Account Debtor has not paid within ninety (90) days of invoice date regardless of invoice payment period terms;

(c) Accounts with credit balances over ninety (90) days from invoice date;

(d) Accounts owing from an Account Debtor, if fifty percent (50%) or more of the Accounts owing from such Account Debtor have not been paid within ninety (90) days of invoice date;

(e) [Reserved;]

(f) Accounts billed from and/or payable to Borrower outside of the United States (sometimes called foreign invoiced accounts);

(g) Accounts owing from an Account Debtor to the extent that Borrower is indebted or obligated in any manner to the Account Debtor (as creditor, lessor, supplier or otherwise - sometimes called "contra" accounts, accounts payable, customer deposits or credit accounts).

(h) Accounts owing from an Account Debtor which is a United States government entity or any department, agency, or instrumentality thereof unless Borrower has assigned its payment rights to Bank and the assignment has been acknowledged under the Federal Assignment of Claims Act of 1940, as amended;

(i) Accounts for demonstration or promotional equipment, or in which goods are consigned, or sold on a "sale guaranteed", "sale or return", "sale on approval", or other terms if Account Debtor's payment may be conditional;

(j) Accounts owing from an Account Debtor where goods or services have not yet been rendered to the Account Debtor (sometimes called memo billings or pre-billings);

(k) Accounts subject to contractual arrangements between Borrower and an Account Debtor where payments shall be scheduled or due according to completion or fulfillment requirements where the Account Debtor has a right of offset for damages suffered as a result of Borrower's failure to perform in accordance with the contract (sometimes called contracts accounts receivable, progress billings, milestone billings, or fulfillment contracts);

(l) Accounts owing from an Account Debtor the amount of which may be subject to withholding based on the Account Debtor's satisfaction of Borrower's complete performance (but only to the extent of the amount withheld; sometimes called retainage billings);

(m) Accounts subject to trust provisions, subrogation rights of a bonding company, or a statutory trust;

(n) Accounts owing from an Account Debtor that has been invoiced for goods that have not been shipped to the Account Debtor unless Bank, Borrower, and the Account Debtor have entered into an agreement acceptable to Bank in its sole discretion wherein the Account Debtor acknowledges that (i) it has title to and has ownership of the goods wherever located, (ii) a bona fide sale of the goods has occurred, and (iii) it owes payment for such goods in accordance with invoices from Borrower (sometimes called "bill and hold" accounts);

(o) Accounts for which the Account Debtor has not been invoiced;

(p) Accounts that represent non-trade receivables or that are derived by means other than in the ordinary course of Borrower's business;

(q) Accounts for which Borrower has permitted Account Debtor's payment to extend beyond 90 days;

(r) Accounts arising from chargebacks, debit memos or other payment deductions taken by an Account Debtor;

(s) Accounts arising from product returns and/or exchanges (sometimes called "warranty" or "RMA" accounts);

(t) Accounts in which the Account Debtor disputes liability or makes any claim (but only up to the disputed or claimed amount), or if the Account Debtor is subject to an Insolvency Proceeding, or becomes insolvent, or goes out of business;

(u) Accounts owing from an Account Debtor with respect to which Borrower has received Deferred Revenue (but only to the extent of such Deferred Revenue);

(v) Accounts owing from an Account Debtor, whose total obligations to Borrower exceed twenty-five percent (25%) of all Accounts, for the amounts that exceed that percentage, unless Bank approves in writing; and

(w) Accounts for which Bank in its good faith business judgment determines collection to be doubtful, including, without limitation, accounts represented by "refreshed" or "recycled" invoices.

"**Eligible Foreign Accounts**" are Eligible Accounts owing from an Account Debtor which does not have its principal place of business in the United States.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, and its regulations.

"**Event of Default**" is defined in Section 8.

"**Exchange Act**" is the Securities Exchange Act of 1934, as amended.

"**Foreign Currency**" means lawful money of a country other than the United States.

"**Foreign Subsidiary**" means any Subsidiary which is not organized under the laws of the United States or any state or territory thereof or the District of Columbia.

"**Funding Date**" is any date on which a Credit Extension is made to or for the account of Borrower which shall be a Business Day.

"**FX Contract**" is any foreign exchange contract by and between Borrower and Bank under which Borrower commits to purchase from or sell to Bank a specific amount of Foreign Currency on a specified date.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" is all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all Intellectual Property, claims, income and other tax refunds, security and other deposits, payment intangibles, contract rights, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Bank, including, without limitation, Parent and DT USA.

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"**Indemnified Person**" is defined in Section 12.3.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Intellectual Property**" means, with respect to any Person, all of such Person's right, title, and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to such Person;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**Interest Expense**" means for any fiscal period, interest expense (whether cash or non-cash) determined in accordance with GAAP for the relevant period ending on such date, including, in any event, interest expense with respect to any Credit Extension and other Indebtedness of Parent (on a consolidated basis), including, without limitation or duplication, all commissions, discounts, or related amortization and other fees and charges with respect to letters of credit and bankers' acceptance financing and the net costs associated with interest rate swap, cap, and similar arrangements, and the interest portion of any deferred payment obligation (including leases of all types).

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of Borrower's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance or capital contribution to any Person.

"**IP Agreement**" is that certain Intellectual Property Security Agreement executed and delivered by Borrower to Bank dated as of April 4, 2013.

"**Letter of Credit**" is a standby or commercial letter of credit issued by Bank upon request of Borrower based upon an application, guarantee, indemnity, or similar agreement.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement and any schedules, exhibits, certificates, notices, and any other documents related to this Agreement, the Perfection Certificate, the Securities Pledge Agreement, the Assignment of Representations, the IP Agreement, any Guaranty, any Bank Services Agreement, any subordination agreement, any note, or notes or guaranties executed by Borrower or any Guarantor, and any other present or future agreement by Borrower and/or any Guarantor with or for the benefit of Bank in connection with this Agreement or Bank Services, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Bank's Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations, or condition (financial or otherwise) of Borrower; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Monthly Financial Statements**" is defined in Section 6.2(c).

"**Net Income**" means, for any period as at any date of determination, the net profit (or loss), after provision for taxes, of Parent for such period taken as a single accounting period, on a consolidated basis.

"**Non-Streamline Period**" is any period that is not a Streamline Period.

"**Obligations**" are Borrower's obligation to pay when due any debts, principal, interest, fees, Bank Expenses, and other amounts Borrower owes Bank now or later, whether under this Agreement, the other Loan Documents, or otherwise, including, without limitation, any interest accruing after Insolvency Proceedings begin and debts, liabilities, or obligations of Borrower assigned to Bank, and the performance of Borrower's duties under the Loan Documents. Notwithstanding the foregoing, "Obligations" shall not include any obligations Borrower owes Bank in connection with Bank's ownership of any equity interest in Borrower.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Overadvance**" is defined in Section 2.2.

"**Parent**" is Digital Turbine, Inc. (f/k/a Mandalay Digital Group, Inc.).

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Perfection Certificate**" is defined in Section 5.1.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to Bank under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and shown on the Perfection Certificate;

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of business;

(f) Indebtedness secured by Liens permitted under clauses (a) and (c) of the definition of "Permitted Liens" hereunder;

(g) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (f) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose more burdensome terms upon Borrower or its Subsidiary, as the case may be; and

(h) Indebtedness to North Atlantic not to exceed Eight Million Dollars ($8,000,000) in principal amount plus accrued interest and fees.

"**Permitted Investments**" are:

(a) Investments (including, without limitation, Subsidiaries) existing on the Effective Date and shown on the Perfection Certificate;

(b) Investments consisting of Cash Equivalents;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments consisting of deposit accounts in which Bank has a perfected security interest;

(e) Investments accepted in connection with Transfers permitted by Section 7.1;

(f) Investments consisting of the creation of a Subsidiary for the purpose of consummating a merger transaction permitted by Section 7.3 of this Agreement, which is otherwise a Permitted Investment;

(g) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors;

(h) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business; and

(i) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (i) shall not apply to Investments of Borrower in any Subsidiary.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and shown on the Perfection Certificate or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) purchase money Liens (i) on Equipment acquired or held by Borrower incurred for financing the acquisition of the Equipment, or (ii) existing on Equipment when acquired, if the Lien is confined to the property and improvements and the proceeds of the Equipment;

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory and Equipment and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (c), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness may not increase;

(g) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Bank a security interest therein;

(h) non-exclusive license of Intellectual Property granted to third parties in the ordinary course of business;

(i) licenses of Intellectual Property that could not result in a legal transfer of title of the licensed property that may be exclusive in respects other than territory;

(j) Liens arising from attachments or judgments, orders, or decrees in circumstances not constituting an Event of Default under Sections 8.4 and 8.7;

(k) Liens in favor of other financial institutions arising in connection with Borrower's deposit and/or securities accounts held at such institutions, provided that Bank has a perfected security interest in the amounts held in such deposit and/or securities accounts; and

(l) Liens in favor of North Atlantic in connection with Indebtedness permitted under clause (h) of the definition of "Permitted Indebtedness" hereunder.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Prime Rate**" is Bank's most recently announced "prime rate," even if it is not Bank's lowest rate.

"**Prior Loan Agreement**" is defined in the recitals hereto.

"**Quick Assets**" is, on any date, Parent's unrestricted cash and Cash Equivalents plus billed and unbilled accounts receivable.

"**Reduced Pricing Period**" is any Subject Month for which Parent (on a consolidated basis) maintained an Adjusted Quick Ratio of not less than 1.00 to 1.00 as of the last day of the applicable Testing Month; provided, however, that if an Event of Default has occurred and is continuing then Bank may, in its sole discretion, terminate, or refuse to institute, a Reduced Pricing Period.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Reserves**" means, as of any date of determination, such amounts as Bank may from time to time establish and revise in its good faith business judgment, reducing the amount of Advances and other financial accommodations which would otherwise be available to Borrower (a) to reflect events, conditions, contingencies or risks which, as determined by Bank in its good faith business judgment, do or may adversely affect (i) the Collateral or any other property which is security for the Obligations or its value (including without limitation any increase in delinquencies of Accounts), (ii) the assets, business or prospects of Borrower or any Guarantor, or (iii) the security interests and other rights of Bank in the Collateral (including the enforceability, perfection and priority thereof); or (b) to reflect Bank's reasonable belief that any collateral report or financial information furnished by or on behalf of Borrower or any Guarantor to Bank is or may have been incomplete, inaccurate or misleading in any material respect; or (c) in respect of any state of facts which Bank determines constitutes an Event of Default or may, with notice or passage of time or both, constitute an Event of Default.

"**Responsible Officer**" is any of the Chief Executive Officer, President, Chief Financial Officer and Controller of Borrower.

"**Restricted License**" is any material license or other agreement with respect to which Borrower is the licensee (a) that prohibits or otherwise restricts Borrower from granting a security interest in Borrower's interest in such license or agreement or any other property, or (b) for which a default under or termination of could interfere with the Bank's right to sell any Collateral.

"**Revolving Line**" is an aggregate principal amount equal to Five Million Dollars ($5,000,000).

"**Revolving Line Maturity Date**" is June 30, 2016.

"**SEC**" shall mean the Securities and Exchange Commission, any successor thereto, and any analogous Governmental Authority.

"**Second Supplemental Conversion Date**" is October 1, 2013.

"**Second Supplemental Interest-Only Period**" means the period commencing on the first (1st) Business Day following the Funding Date of the Second Supplemental Term Loan and continuing through September 30, 2013.

"**Second Supplemental Repayment Period**" is a period commencing on the Second Supplemental Conversion Date and ending on the Second Supplemental Term Loan Maturity Date.

"**Second Supplemental Term Loan**" means the Second Supplemental Term Loan advanced under, and as defined in, the Prior Loan Agreement.

"**Second Supplemental Term Loan Maturity Date**" is March 1, 2016.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Securities Pledge Agreement**" is that certain Securities Pledge Agreement by and between Bank and Borrower dated as of February 19, 2010.

"**Streamline Period**" means that Borrower has achieved, during the trailing three (3) month period most recently ended, revenue during such period of not less than (a) eighty percent (80%) for the three months ending June 30 and July 31, 2015, and (b) eighty-five percent (85%) for the three months ending August 31, 2015 and thereafter, of Borrower's projected revenue for such three (3) month period as set forth in the most recent Board approved operating budget of Borrower delivered to and accepted by Bank.

"**Subject Month**" is the month which is two (2) calendar months after any Testing Month.

"**Subordinated Debt**" is indebtedness incurred by Borrower subordinated to all of Borrower's now or hereafter indebtedness to Bank (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Bank entered into between Bank and the other creditor), on terms acceptable to Bank.

"**Subsidiary**" is, as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless the context otherwise requires, each reference to a Subsidiary herein shall be a reference to a Subsidiary of Borrower.

"**Testing Month**" is any month with respect to which Bank has tested Parent's Adjusted Quick Ratio to determine the interest rate applicable to the Advances.

"**Total Liabilities**" is on any day, obligations that should, under GAAP, be classified as liabilities on Borrower's consolidated balance sheet, including all Indebtedness.

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"**Transaction Report**" is that certain report of transactions and schedule of collections in the form attached hereto as Exhibit C.

"**Transfer**" is defined in Section 7.1.

"**Unused Revolving Line Facility Fee**" is defined in Section 2.4(b).

"**WSJ Prime Rate**" is the rate of interest per annum from time to time published in the money rates section of The Wall Street Journal or any successor publication thereto as the "prime rate" then in effect; provided that if such rate of interest, as set forth from time to time in the money rates section of The Wall Street Journal, becomes unavailable for any reason as determined by Bank, the "WSJ Prime Rate" shall mean the rate of interest per annum announced by Bank as its prime rate in effect at its principal office in the State of California (such Bank announced Prime Rate not being intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to debtors).

[Signature page follows.**]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

DIGITAL TURBINE MEDIA, INC. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.)

By____

Name:_____________________________________

Title:______________________________________

BANK:

SILICON VALLEY BANK

By____

Name:_____________________________________

Title:______________________________________

EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following personal property:

All goods, Accounts (including health-care receivables), Equipment, Inventory, contract rights or rights to payment of money, leases, license agreements, franchise agreements, General Intangibles (except as provided below), commercial tort claims, documents, instruments (including any promissory notes), chattel paper (whether tangible or electronic), cash, deposit accounts, fixtures, letters of credit rights (whether or not the letter of credit is evidenced by a writing), securities, and all other investment property, supporting obligations, and financial assets, whether now owned or hereafter acquired, wherever located; and

all Borrower's Books relating to the foregoing, and any and all claims, rights and interests in any of the above and all substitutions for, additions, attachments, accessories, accessions and improvements to and replacements, products, proceeds and insurance proceeds of any or all of the foregoing.

Notwithstanding the foregoing, the Collateral does not include any of the following: (a) more than 65% of the presently existing and hereafter arising issued and outstanding shares of capital stock owned by Borrower of any Foreign Subsidiary which shares entitle the holder thereof to vote for directors or any other matter, (b) any intent-to-use trademarks at all times prior to the first use thereof, whether by the actual use thereof in commerce, the recording of a statement of use with the United States Patent and Trademark Office or otherwise; (c) any interest of Borrower as a lessee or sublessee under a real property lease; (d) rights held under a license that are not assignable by their terms without the consent of the licensor thereof (but only to the extent such restriction on assignment is enforceable under applicable law); or (e) any interest of Borrower as a lessee under an Equipment lease if Borrower is prohibited by the terms of such lease from granting a security interest in such lease or under which such an assignment or Lien would cause a default to occur under such lease; *provided, however*, that upon termination of such prohibition, such interest shall immediately become Collateral without any action by Borrower or Bank.

EXHIBIT B

COMPLIANCE CERTIFICATE

TO: SILICON VALLEY BANK Date:_________________
FROM: DIGITAL TURBINE MEDIA, INC.

The undersigned authorized officer of Digital Turbine Media, Inc. ("Borrower") certifies that under the terms and conditions of the Third Amended and Restated Loan and Security Agreement between Borrower and Bank (the "Agreement"), (1) Borrower is in complete compliance for the period ending _______________ with all required covenants except as noted below, (2) there are no Events of Default, (3) all representations and warranties in the Agreement are true and correct in all material respects on this date except as noted below; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, (4) except as noted before, Borrower, and each of its Subsidiaries, has timely filed all required tax returns and reports, and Borrower has timely paid all foreign, federal, state and local taxes, assessments, deposits and contributions owed by Borrower except as otherwise permitted pursuant to the terms of Section 5.9 of the Agreement, and (5) no Liens have been levied or claims made against Borrower relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Bank. Attached are the required documents supporting the certification. The undersigned certifies that these are prepared in accordance with GAAP consistently applied from one period to the next except as explained in an accompanying letter or footnotes. The undersigned acknowledges that no borrowings may be requested at any time or date of determination that Borrower is not in compliance with any of the terms of the Agreement, and that compliance is determined not just at the date this certificate is delivered. Capitalized terms used but not otherwise defined herein shall have the meanings given them in the Agreement.

Please indicate compliance status by circling Yes/No under "Complies" column.

Reporting Covenant	Required	Complies
Monthly financial statements with Compliance Certificate	Monthly within 30 days	Yes No
Annual financial statement (CPA Audited) + CC	Earlier of (i) 90 days of FYE or (ii) 5 days of filing with SEC	Yes No
10-Q, 10-K and 8-K	Within 5 days after filing with SEC	Yes No
Transaction Report, A/R & A/P Agings	(i) by Friday of each week during any Non-Streamline Period, and (ii) monthly within 20 days during any Streamline Period	Yes No
Annual Financial Projections	FYE within 45 days	Yes No
The following Intellectual Property was registered (or a registration application submitted) after the Effective Date (if no registrations, state "None")		

Financial Covenant	**Required**	**Actual**	**Complies**
Maintain on a Monthly Basis*:			
Minimum Trailing 3-Month Adjusted EBITDA:			
3 Months Ending 6/30/15**	($4,000,000)	$_______	Yes No
3 Months Ending 7/31/15	($3,400,000)	$_______	Yes No
3 Months Ending 8/31/15	($2,800,000)	$_______	Yes No
3 Months Ending 9/30/15	($2,200,000)	$_______	Yes No
3 Months Ending 10/31/15	($1,600,000)	$_______	Yes No
3 Months Ending 11/30/15	($700,000)	$_______	Yes No
3 Months Ending 12/31/15 and thereafter	$500,000	$_______	Yes No

* Not required if either (i) no Advances are outstanding, or (ii) the aggregate amount of Parent's and Borrower's combined unrestricted cash and Cash Equivalents on deposit with Bank or Bank's Affiliates (including cash and Cash Equivalents subject to Control Agreements) is greater than or equal to $15,000,000.
* The Adjusted EBITDA covenant will not be tested for the three months ending June 30, 2015, so long as (i) on or before June 30, 2015, Bank shall have received evidence satisfactory to it that Parent and its Subsidiaries have moved all of their respective domestic deposit, securities and other account balances to accounts with Bank and Bank's Affiliates and Parent and its Subsidiaries shall continue to maintain such balances with Bank and Bank's Affiliates at all times thereafter through the date Bank receives Borrower's July 2015 reporting package, and (ii) Bank shall have access to view Parent's and its Subsidiaries' Australian bank accounts on Bank's online platform at all times from June 30, 2015 through the date Bank receives Borrower's July 2015 reporting package.

	Performance Pricing	**Applies**
AQR ≥ 1.00:1.00	Prime + 1.75%	Yes No
AQR < 1.00:1.00	Prime + 2.75%	Yes No

	Streamline Period	**Applies**
Trailing 3-Month Revenue > 80% of projected revenue**	Streamline Period	Yes No
Trailing 3-Month Revenue < 80% of projected revenue**	Non-Streamline Period	Yes No

** 85% for the 3 months ending 8/31/15 and thereafter

The following financial analyses and information set forth in Schedule 1 attached hereto are true and accurate as of the date of this Certificate.

The following are the exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions to note.")

Digital Turbine Media, Inc.	**BANK USE ONLY**
	Received by: _____________________ authorized signer
By:	
Name:	Date: _________________________
Title:	
	Verified: ________________________ authorized signer
	Date: _________________________
	Compliance Status: Yes No

Schedule 1 to Compliance Certificate

Financial Covenants of Borrower

In the event of a conflict between this Schedule and the Loan Agreement, the terms of the Loan Agreement shall govern.

Dated: ____________________

I. **Trailing 3-Month Adjusted EBITDA** (Section 6.9(a))

* This covenant is not tested if either (i) no Advances are outstanding, or (ii) the aggregate amount of Parent's and Borrower's combined unrestricted cash and Cash Equivalents on deposit with Bank or Bank's Affiliates (including cash and Cash Equivalents subject to Control Agreements) is greater than or equal to $15,000,000.

** This covenant will not be tested for the three months ending June 30, 2015, so long as (i) on or before June 30, 2015, Bank shall have received evidence satisfactory to it that Parent and its Subsidiaries have moved all of their respective domestic deposit, securities and other account balances to accounts with Bank and Bank's Affiliates and Parent and its Subsidiaries shall continue to maintain such balances with Bank and Bank's Affiliates at all times thereafter through the date Bank receives Borrower's July 2015 reporting package, and (ii) Bank shall have access to view Parent's and its Subsidiaries' Australian bank accounts on Bank's online platform at all times from June 30, 2015 through the date Bank receives Borrower's July 2015 reporting package.

Required: See chart below

Three Months Ending	**Minimum Trailing 3-Month Adjusted EBITDA**
June 30, 2015	($4,000,000)
July 31, 2015	($3,400,000)
August 31, 2015	($2,800,000)
September 30, 2015	($2,200,000)
October 31, 2015	($1,600,000)
November 30, 2015	($700,000)
December 31, 2015 and each three-month period thereafter	$500,000

Actual:

A.	Net Income of Parent (on a consolidated basis) for the trailing 3-month period most recently ended	$______
B.	To the extent included in the determination of Net Income	
	1.The provision for income taxes	$______
	2.Depreciation expense	$______
	3.Amortization expense	$______
	4.Net Interest Expense	$______
	5.The sum of lines 1 through 4	$______
C.	EBITDA (line A plus line B.5)	$______
D.	Non-cash expenses and non-recurring expenses during such period (up to $________)	$______
E.	Non-cash income and non-recurring income during such period	$______
F.	Trailing 3-Month Adjusted EBITDA (line C plus line D minus line E)	$______

Is line F equal to or greater than the appropriate amount set forth above?

____________No, not in compliance ____Yes, in compliance

II. **Adjusted Quick Ratio** (This is not a financial covenant, but is used to determine pricing.)

Required: 1.00:1.00

Actual:

A.	Aggregate value of the unrestricted cash and Cash Equivalents of Parent (on a consolidated basis)	$______
B.	Aggregate value of the net billed accounts receivable of Parent (on a consolidated basis)	$______
C.	Quick Assets (the sum of lines A and B)	$______
D.	Aggregate value of Obligations to Bank	$______
E.	Aggregate value of liabilities that should, under GAAP, be classified as liabilities on Parent's consolidated balance sheet, including all Indebtedness, and not otherwise reflected in line D above that matures within one (1) year	$______
F.	Current Liabilities (the sum of lines D and E)	$______
G.	Aggregate value of all amounts received or invoiced in advance of performance under contracts and not yet recognized as revenue	$______
H.	Aggregate value of all non-cash liabilities of Parent (on a consolidated basis)	$______
I.	Line F minus line G minus line H	$______
J.	Adjusted Quick Ratio (line C divided by line I)	____:1.00

Was line J equal to or greater than 1.00:1:00 at all times during the applicable Testing Month?

_____No, Prime + 2.75%   _____Yes, Prime + 1.75%

EXHIBIT C

Transaction Report

[EXCEL spreadsheet to be provided separately from lending officer.]

EXHIBIT D

Borrowing Resolutions

[see attached]

EXHIBIT E

ACKNOWLEDGMENT OF AMENDED LOAN AGREEMENT
AND REAFFIRMATION OF GUARANTY

ges and confirms that it has reviewed the terms and conditions of the Third Amended and Restated Loan and Security Agreement dated as of even date herewith (the "Amended Loan Agreement").

the Unconditional Secured Guaranty and Pledge Agreement (the "Guaranty") relating to the Obligations of Borrower under the Second Amended and Restated Loan and Security Agreement shall continue in full force and effect, shall be valid and enforceable and shall not be impaired or otherwise affected by the execution of the Amended Loan Agreement or any other document or instrument delivered in connection therewith.

rrants that, after giving effect to the Amended Loan Agreement, all representations and warranties contained in the Guaranty are true, accurate and complete as if made the date hereof.

Dated as of ____________________

GUARANTOR DIGITAL TURBINE, INC.

By:

Name:

Title:

EXHIBIT F

Form of DT USA Guaranty
(see attached)

Exhibit 21.1

Entity	Chief Executive Offices or Principal Place of Business	Jurisdiction of Organization	FEIN	Company Organizational Numbers
Digital Turbine USA, Inc.	1300 Guadalupe Street #302, Austin, TX, USA	USA		45-3982329
Digital Turbine (EMEA) Ltd.	3 Hasadnaot St. Herzliya Pituach – 46140, Israel	Israel		514802875
Logia Content Development and Management Ltd	3 Hasadnaot St. Herzliya Pituach – 46140, Israel	Israel		513540245
Volas Entertainment Ltd.	3 Hasadnaot St. Herzliya Pituach – 46140, Israel	Israel		513881607
Mailbit Logia (2008) Ltd.	3 Hasadnaot St. Herzliya Pituach – 46140, Israel	Israel		514121953
Digital Turbine Germany GmbH	Westendstr. 28 60325 Frankfurt am Main, Germany	Germany		HRB 100847
Digital Turbine Luxembourg S.a.r.l.	121 Avenue De La Faiencerie L-1511 Luxembourg	Luxembourg		Section B, 173 016
DTM Merger Sub, Inc.	1300 Guadalupe Street #302 Austin, TX, USA	USA		
Digital Turbine Media, Inc.	320 Blackwell Street Durham, NC, USA, 3rd Floor	USA		26-2346340
PocketGear Deutschland GmbH	SchleiBheimer Str. 439,80935 Munchen Germany	Germany		DE165412455
Digital Turbine Group Pty Ltd	283 Young St WATERLOO – NSW 2017 Australia	Australia		ACN 163 117 253
Digital Turbine Holdings Pty Ltd	Level 2, 221 Miller Street, North Sydney – NSW 2060 Australia	Australia		TAX 847599909
Digital Turbine Asia Pacific Pty Ltd	Level 2, 221 Miller Street, North Sydney – NSW 2060 Australia	Australia		TAX 791741061
Digital Turbine Technology (IP) Pty Ltd	Level 2, 221 Miller Street, North Sydney – NSW 2060 Australia	Australia		TAX 949745512
Digital Turbine IP Pty Ltd	Level 2, 221 Miller Street, North Sydney – NSW 2060 Australia	Australia		TAX 949301761
Digital Turbine Singapore Pte Ltd	128 Tanjong Pagar Road, Singapore 088535.	Singapore		201407526R

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements (Nos. 333-193022 and 333-202863) on Form S-8 and Registration Statements (Nos. 333-190943 and 333-202862) on Form S-3 of Digital Turbine, Inc. (the “Company”) of our reports dated June 15, 2015, relating to our audits of the consolidated financial statements and internal control over financial reporting of the Company and subsidiaries, which appear in this Annual Report on Form 10-K of the Company for the year ended March 31, 2015.

Our report dated June 15, 2015, on the effectiveness of internal control over financial reporting as of March 31, 2015, expressed an opinion that the Company and subsidiaries had not maintained effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

/s/ SingerLewak LLP

Los Angeles, California
June 15, 2015

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, William Stone, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 15, 2015

By: /s/William Stone
William Stone
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Andrew Schleimer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 15, 2015

By: /s/Andrew Schleimer
Andrew Schleimer
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ending March 31, 2015 of the Company (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 15, 2015

By: /s/William Stone
William Stone
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to U.S.C. Section 1350
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of Digital Turbine, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 10-K for the period ending March 31, 2015 of the Company (the “Form 10-K”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 15, 2015

By: /s/Andrew Schleimer
Andrew Schleimer
Chief Financial Officer
(Principal Financial Officer)