

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended **June 30, 2016**

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)

**1300 Guadalupe Street, Suite 302, Austin TX**  
(Address of Principal Executive Offices)

**22-2267658**  
(I.R.S. Employer  
Identification No.)

**78701**  
(Zip Code)

**(512) 387-7717**

(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 Securities Exchange Act). Yes  No

As of August 3, 2016, the Company had 66,634,006 shares of its common stock, \$0.0001 par value per share, outstanding.

---

**Digital Turbine, Inc.**

FORM 10-Q QUARTERLY REPORT FOR THE QUARTER ENDED June 30, 2016

**TABLE OF CONTENTS**

**PART I - FINANCIAL INFORMATION**

Item 1.	<a href="#"><u>Consolidated Financial Statements</u></a>	
	<a href="#"><u>Consolidated Balance Sheets as of June 30, 2016 (Unaudited) and March 31, 2016</u></a>	3
	<a href="#"><u>Consolidated Statements of Operations and Comprehensive Loss (Unaudited) for the Three Months Ended June 30, 2016 and 2015</u></a>	4
	<a href="#"><u>Consolidated Statements of Cash Flows (Unaudited) for the Three Months Ended June 30, 2016 and 2015</u></a>	5
	<a href="#"><u>Notes to Unaudited Consolidated Financial Statements</u></a>	6
Item 2.	<a href="#"><u>Management's Discussion and Analysis of Financial Conditions and Results of Operations</u></a>	17
Item 3.	<a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	25
Item 4.	<a href="#"><u>Controls and Procedures</u></a>	26

**PART II - OTHER INFORMATION**

Item 1.	<a href="#"><u>Legal Proceedings</u></a>	27
Item 1 (A).	<a href="#"><u>Risk Factors</u></a>	27
Item 2.	<a href="#"><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></a>	28
Item 3.	<a href="#"><u>Defaults</u></a>	28
Item 4.	<a href="#"><u>Mine Safety Disclosures</u></a>	28
Item 5.	<a href="#"><u>Other Information</u></a>	28
Item 6.	<a href="#"><u>Exhibits</u></a>	29
	<a href="#"><u>Signatures</u></a>	30

---

**PART I - FINANCIAL INFORMATION**

**ITEM 1 - FINANCIAL STATEMENTS**

Digital Turbine, Inc. and Subsidiaries

**Consolidated Balance Sheets**

(in thousands, except par value and share amounts)

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
	(Unaudited)	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 9,412	\$ 11,231
Accounts receivable, net of allowances of \$355 and \$464, respectively	15,648	17,519
Deposits	147	213
Prepaid expenses and other current assets	494	583
Total current assets	<u>25,701</u>	<u>29,546</u>
Property and equipment, net	2,043	1,784
Cost method investment	999	999
Deferred tax assets	500	500
Intangible assets, net	10,610	12,490
Goodwill	76,621	76,621
<b>TOTAL ASSETS</b>	<b><u>\$ 116,474</u></b>	<b><u>\$ 121,940</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 15,131	\$ 15,300
Accrued license fees and revenue share	10,041	9,622
Accrued compensation	1,281	1,353
Short-term debt, net of debt issuance costs and discounts of \$524 and \$568, respectively	10,476	10,432
Other current liabilities	2,519	2,147
Total current liabilities	<u>39,448</u>	<u>38,854</u>
Other non-current liabilities	835	815
Total liabilities	<u>40,283</u>	<u>39,669</u>
<b>Stockholders' equity</b>		
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; 67,023,273 issued and 66,288,817 outstanding at June 30, 2016; 67,019,703 issued and 66,284,606 outstanding at March 31, 2016;	8	8
Additional paid-in capital	296,728	295,423
Treasury stock (754,599 shares at June 30, 2016 and March 31, 2016)	(71)	(71)
Accumulated other comprehensive loss	(175)	(202)
Accumulated deficit	(220,399)	(212,987)
Total stockholders' equity	<u>76,191</u>	<u>82,271</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$ 116,474</u></b>	<b><u>\$ 121,940</u></b>

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

**Consolidated Statements of Operations and Comprehensive Loss (Unaudited)**

(in thousands, except per share amounts)

	Three Months Ended June 30,	
	2016	2015
Net revenues	\$ 24,039	\$ 18,686
Cost of revenues		
License fees and revenue share	19,224	14,221
Other direct cost of revenues	1,880	2,191
Total cost of revenues	21,104	16,412
Gross profit	2,935	2,274
Operating expenses		
Product development	2,835	2,754
Sales and marketing	1,444	1,282
General and administrative	5,105	5,389
Total operating expenses	9,384	9,425
Loss from operations	(6,449)	(7,151)
Interest and other expense, net		
Interest expense, net	(682)	(491)
Foreign exchange transaction gain / (loss)	(3)	1
Loss on disposal of fixed assets	—	(23)
Other income	18	17
Total interest and other expense, net	(667)	(496)
Loss from operations before income taxes	(7,116)	(7,647)
Income tax provision	296	472
Net loss	(7,412)	(8,119)
Other comprehensive income / (loss)		
Foreign currency translation adjustment	27	(49)
Comprehensive loss	\$ (7,385)	\$ (8,168)
Basic and diluted net loss per common share	\$ (0.11)	\$ (0.14)
Weighted-average common shares outstanding, basic and diluted	66,286	57,388

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

Digital Turbine, Inc. and Subsidiaries  
**Consolidated Statements of Cash Flows (Unaudited)**

(in thousands)

	<b>Three Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (7,412)	\$ (8,119)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,094	2,241
Change in allowance for doubtful accounts	(109)	(131)
Amortization of debt discount	118	117
Amortization of debt issuance costs	224	—
Accrued interest	1	87
Loss on disposal of fixed assets	—	23
Stock-based compensation	1,223	1,294
Stock-based compensation related to restricted stock for services rendered	80	327
(Increase) / decrease in assets:		
Accounts receivable	1,980	(354)
Deposits	66	(5)
Prepaid expenses and other current assets	89	70
Increase / (decrease) in liabilities:		
Accounts payable	(169)	2,521
Accrued license fees and revenue share	419	963
Accrued compensation	(72)	76
Other liabilities and other items	372	554
<b>Net cash used in operating activities</b>	<b>(1,096)</b>	<b>(336)</b>
<b>Cash flows from investing activities</b>		
Capital expenditures	(472)	(341)
<b>Net cash used in investing activities</b>	<b>(472)</b>	<b>(341)</b>
<b>Cash flows from financing activities</b>		
Repayment of debt obligations	—	(150)
Cash paid for debt issuance costs	(280)	—
Options exercised	2	10
<b>Net cash used in financing activities</b>	<b>(278)</b>	<b>(140)</b>
Effect of exchange rate changes on cash and cash equivalents	27	(72)
<b>Net change in cash and cash equivalents</b>	<b>(1,819)</b>	<b>(889)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>11,231</b>	<b>7,069</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,412</b>	<b>\$ 6,180</b>

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

(in thousands, except share and per share amounts)

## 1. Description of Business

Digital Turbine, through its subsidiaries, innovates at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, application advertisers, device original equipment manufacturers ("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 two businesses:

- Operator and OEM ("O&O"), an advertiser solution for unique and exclusive carrier and OEM inventory which is comprised of services including:
  - Ignite™ ("Ignite"), a mobile device management platform with targeted application distribution capabilities, and
  - Discover™ ("Discover"), an intelligent application discovery platform.
- Advertiser and Publisher ("A&P"), a leading worldwide mobile user acquisition network which is comprised of services including:
  - Syndicated network, and
  - Real Time Bidding ("RTB" or "programmatic advertising").

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

- Marketplace™ ("Marketplace"), an application and content store, and
- Pay™ ("Pay"), a content management and mobile payment solution.

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

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" or "DTM"). We refer to all the Company's subsidiaries collectively as "wholly-owned subsidiaries." We refer to Appia, Inc., a company we acquired on March 6, 2015, as "DT Media."

## 2. Liquidity

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), 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. As of June 30, 2016, we had cash and cash equivalents totaling approximately \$9,412. Additionally, the Company currently has a \$3,300 revolving credit facility in place with Silicon Valley Bank (see Note 9), which it has historically used to fund working capital requirements, as needed. As of June 30, 2016, the Company had \$3,000 outstanding on its revolving credit facility with Silicon Valley Bank. See Note 7 regarding the extensions of the maturity of this loan to August 14, 2016. The Company expects to use net cash on hand for organic business opportunities, product development, general corporate purposes, working capital, and capital expenditures, and for repayment of debt. The Company believes that it has sufficient cash, cash equivalents, and capital resources to operate its business for the next twelve months.

Until the Company becomes cash flow positive, the Company anticipates that its primary source of liquidity will be cash on hand. In addition, the Company may raise additional capital through future debt or equity financing to provide for greater flexibility to make acquisitions, make new investments in under-capitalized opportunities, or invest in organic opportunities, including RTB, integration of Content/Pay into advertising infrastructure, or new product development. 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 related 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.

### **3. Summary of Significant Accounting Policies**

The significant accounting policies and recent accounting pronouncements were described in Note 4 of the consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2016. There have been no significant changes in or updates to the accounting policies since March 31, 2016, except as noted below.

In April 2015, the FASB issued accounting guidance which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability under ASU 2015-03. The guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years; as such, the Company adopted this guidance in the quarter ended June 30, 2016. The Company has determined that adopting ASU 2015-03 did not have a significant impact on its consolidated results of operations, financial condition, and cash flows.

#### **Principles of Consolidation**

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

#### **Interim Consolidated Financial Information**

The accompanying consolidated financial statements of Digital Turbine, Inc. should be read in conjunction with the consolidated financial statements and accompanying notes filed with the U.S. Securities and Exchange Commission ("SEC") in Digital Turbine, Inc.'s Annual Report on Form 10-K for the fiscal year ended March 31, 2016. The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments of a normal recurring nature considered necessary to fairly state the financial position of Digital Turbine, Inc. and its consolidated subsidiaries at June 30, 2016, the results of its operations and corresponding comprehensive loss, and its cash flows for the three months ended June 30, 2016 and 2015.

#### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and accounts receivable. A significant portion of the Company's cash is held at one major financial institution that the Company's management has assessed to be of high credit quality. The Company has not experienced any losses in such accounts.

The Company mitigates its credit risk with respect to accounts receivable by performing credit evaluations and monitoring advertisers' and carriers' accounts receivable balances. As of June 30, 2016, one major customer represented approximately 17.9% of the Company's net accounts receivable balance. As of March 31, 2016, the previously mentioned major Content customer represented 15.6% of the Company's net accounts receivable balance and a major Advertising customer represented 11.0% of the Company's net accounts receivable balance.

With respect to revenue concentration, the Company defines a customer as an advertiser or a carrier that is a distinct source of revenue and is legally bound to pay for the services that the Company delivers on the advertiser's or carrier's behalf. The Company counts all advertisers and carriers within a single corporate structure as one customer, even in cases where multiple brands, branches, or divisions of an organization enter into separate contracts with the Company. During the three

months ended June 30, 2016, the previously mentioned major Content customer represented 32.9% of net revenue and another major Content customer represented 11.0% of net revenue. During the three months ended June 30, 2015, the two previously mentioned major Content customers represented 29.6% and 3.7% of net revenue, respectively.

#### 4. Accounts Receivable

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Billed	\$ 11,873	\$ 13,220
Unbilled	4,130	4,763
Allowance for doubtful accounts	(355)	(464)
Accounts receivable, net	<u>\$ 15,648</u>	<u>\$ 17,519</u>

Billed accounts receivable represent amounts billed to customers that have yet to be collected. Unbilled accounts receivable represent revenue recognized, but billed after period end. All unbilled receivables as of June 30, 2016 and March 31, 2016 are expected to be billed and collected within twelve months.

The Company recorded \$377 and \$192 of bad debt expense during the three months ended June 30, 2016 and 2015, respectively.

#### 5. Property and Equipment

	<u>June 30, 2016</u>	<u>March 31, 2016</u>
Computer-related equipment	\$ 3,209	\$ 2,775
Furniture and fixtures	40	33
Leasehold improvements	106	74
	3,355	2,882
Accumulated depreciation	(1,312)	(1,098)
Property and equipment, net	<u>\$ 2,043</u>	<u>\$ 1,784</u>

Depreciation expense for the three months ended June 30, 2016 and 2015 was \$214 and \$50, respectively.

#### 6. Intangible Assets

The components of intangible assets at June 30, 2016 and March 31, 2016 were as follows:

	<u>As of June 30, 2016</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Software	\$ 11,544	\$ (5,568)	\$ 5,976
Trade name / trademark	380	(380)	—
Customer list	11,300	(6,775)	4,525
License agreements	355	(246)	109
Total	<u>\$ 23,579</u>	<u>\$ (12,969)</u>	<u>\$ 10,610</u>

	<u>As of March 31, 2016</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Software	\$ 11,544	\$ (4,949)	\$ 6,595
Trade name / trademark	380	(380)	—
Customer list	11,300	(5,534)	5,766
License agreements	355	(226)	129
Total	<u>\$ 23,579</u>	<u>\$ (11,089)</u>	<u>\$ 12,490</u>

The Company has included amortization of acquired intangible assets directly attributable to revenue-generating activities in cost of revenues; thus, all intangible amortization is included in cost of revenues.

The Company recorded amortization expense of \$1,880 and \$2,191 during the three months ended June 30, 2016 and 2015, respectively. The decrease in amortization expense year-over-year was primarily attributable to the following reductions to intangible assets during fiscal 2016: 1) \$1,874 reduction to the cost basis of internal use software acquired in the Appia Inc. transaction due to the Company licensing technology in the Sift agreement that was specifically tied to such software, and 2) \$2,404 accelerated amortization expense and subsequent write-off recorded for customer relationship intangible assets related to our September 2012 acquisition of Logia Mobile Ltd.

Based on the amortizable intangible assets as of June 30, 2016, we estimate amortization expense for the next five years to be as follows:

Twelve Month Period Ending June 30,	Amortization Expense
2017	\$ 5,914
2018	2,335
2019	1,390
2020	196
2021	86
Thereafter	689
Total	<u>\$ 10,610</u>

## 7. Debt

	June 30, 2016	March 31, 2016
<b>Short-term debt</b>		
Revolving line of credit, principal	\$ 3,000	\$ 3,000
Secured debenture, net of discounts of \$322 and \$440, respectively	7,678	7,560
Debt issuance costs	(202)	(128)
<b>Total short-term debt</b>	<u>\$ 10,476</u>	<u>\$ 10,432</u>

### Senior Debt

On March 6, 2015, in connection with the Company's acquisition of Appia, Inc., DTM entered into an Amended and Restated Loan and Security Agreement with Silicon Valley Bank in connection with the closing of the DTM (Appia) acquisition, which included a term loan and revolving line of credit. This loan replaced and restated Appia's prior loan agreement with Silicon Valley Bank, and was then amended and restated in June 2015 (as described under "Revolving Line of Credit"). The term loan was fully paid down as of the end of fiscal 2016.

## Revolving Line of Credit

On June 28, 2016, our wholly-owned subsidiary DTM, and Silicon Valley Bank, entered into the Third Amendment to the Third Amended and Restated Loan and Security Agreement (the "Amendment"), pursuant to which Silicon Valley Bank agreed to amend and restate the existing Second Amendment to the Third Amended and Restated Loan and Security Agreement to decrease the revolving line of credit available under such facility from \$5,000 to \$3,300, and to extend the maturity date under the facility from June 30, 2016 to August 14, 2016. Pursuant to the Amendment, the adjusted quick ratio covenant and the application of the streamline trigger (which is not a financial covenant) detailed in the Second Amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015, were removed and replaced with the requirement for the Company to maintain a minimum amount of cash held at SVB to be calculated based on outstanding amounts on the revolving line of credit plus \$1,000. Amounts outstanding under letters of credit and business credit cards are not included in this calculation. Under the Amendment, the Company is still required to deliver consolidated financial statements in addition to DTM. At June 30, 2016, DTM and the Company were compliant with all such covenants.

The revolving line of credit under the Amended and Restated Credit Facility allows DTM to borrow up to the lesser of \$3,300 or the borrowing base, which is 80% of eligible accounts receivable after consideration of other amounts outstanding, under the revolving line of credit. At June 30, 2016 and March 31, 2016, DTM had borrowed \$3,000 under the revolving line. Interest is payable monthly 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%). At June 30, 2016, the interest rate was 6.25%.

## Subordinated Debenture and Warrant

On March 6, 2015, in connection with the acquisition of DTM, the Company entered into a Securities Purchase Agreement with North Atlantic SBIC IV, L.P. ("North Atlantic"), pursuant to which DTM sold a 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 Appia 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.

DTM's obligations under the New Debenture are secured by all of DTM's assets; additionally, Digital Turbine, Inc. has guaranteed DTM'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 Amended and Restated Credit Facility.

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 a debt discount, which is being amortized over the term of the New Debenture. During the three months ended June 30, 2016 and 2015, debt discount amortized amounted to \$118 and \$117, respectively, with the debt discount balance amounting to \$322 and \$440 at June 30, 2016 and March 31, 2016, respectively.

On May 6, 2016, DTM and North Atlantic, entered into a Second Amendment to Securities Purchase Agreement, where DTM agreed to pay North Atlantic the amount of \$140 as a fee in connection with the preparation, negotiation, and execution of this amendment. Pursuant to this amendment, the warrant vesting date was modified to June 15, 2016 (the "Retirement Date").

On June 13, 2016, DTM and North Atlantic, entered into a Third Amendment to Common Stock Purchase Warrant dated March 6, 2015. Pursuant to this amendment, the warrant vesting date was modified from June 15, 2016 to July 15, 2016 (the "Modified Retirement Date"). If the debt is not refinanced by July 15, 2016, then a warrant for 400,000 shares would be issued to North Atlantic and North Atlantic would receive a board observer. DTM agreed to pay North Atlantic the amount of \$60 as consideration to extend the Modified Retirement Date from June 15, 2016 to July 15, 2016.

On July 15, 2016, DTM and North Atlantic entered into a Fourth Amendment to Common Stock Purchase Warrant dated March 6, 2015, where DTM agreed to pay North Atlantic the amount of \$75 as consideration to extend the Retirement Date to August 29, 2016. See "Subsequent Events" in Note 15 of the Notes to the Consolidated Financial Statements.

The 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 June 30, 2016, DTM and the Company were compliant with all such covenants.

The Company's required principal repayments for its outstanding debt as of June 30, 2016 are as follows:

	Revolving Line of Credit	Subordinated Debenture
August 14, 2016	\$ 3,000	\$ —
March 6, 2017	—	8,000
<b>Total</b>	<b>\$ 3,000</b>	<b>\$ 8,000</b>

## 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"). The 2011 Plan and 2007 Plan are collectively referred to as "Digital Turbine's Incentive Plans." In the year ended March 31, 2016, in connection with the acquisition of Appia, the Company assumed the Appia, Inc. 2008 Stock Incentive Plan (the "Appia Plan"). 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 11,818,907 and 11,886,707 remained available for future grants as of June 30, 2016 and March 31, 2016, respectively. The change over the comparative represents stock stock option grants and forfeitures/cancellations of 345,000 and 252,200, respectively.

### *Stock Option Agreements*

Stock options granted under Digital Turbine'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 with the Appia acquisition, the Company exchanged stock options previously granted under the Appia Plan for options to purchase shares of the Company's common stock under the 2011 Plan. 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.

## Stock Option Activity

The following table summarizes stock option activity for the Stock Plans during the three months ended June 30, 2016:

	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, 2016	7,824,395	\$ 3.61	8.24	\$ 110
Granted	345,000	\$ 1.05		
Forfeited / Cancelled	(252,200)	\$ 2.79		
Exercised	(4,212)	\$ 0.63		
Options Outstanding, June 30, 2016	7,912,983	\$ 3.53	8.05	\$ 79
Vested and expected to vest (net of estimated forfeitures) at June 30, 2016 (a)	6,296,796	\$ 3.84	7.78	\$ 75
Exercisable, June 30, 2016	3,295,307	\$ 5.21	6.54	\$ 68

(a) For options vested and expected to vest, options exercisable, and options outstanding, the aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Digital Turbine's closing stock price on June 30, 2016 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 June 30, 2016. The intrinsic value changes based on changes in the price of the Company's common stock.

Information about options outstanding and exercisable at June 30, 2016 is as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	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	3.74	8,065	\$ 0.24
\$0.51 - 1.00	148,753	\$ 0.65	6.06	144,978	\$ 0.65
\$1.01 - 1.50	2,363,975	\$ 1.33	4.21	46,167	\$ 1.25
\$1.51 - 2.00	351,889	\$ 1.51	9.35	63,764	\$ 1.51
\$2.01 - 2.50	253,776	\$ 2.43	4.58	170,443	\$ 2.41
\$2.51 - 3.00	1,190,859	\$ 2.62	8.26	638,634	\$ 2.64
\$3.51 - 4.00	1,535,022	\$ 3.94	8.41	805,167	\$ 3.93
\$4.01 - 4.50	1,530,644	\$ 4.19	7.42	916,214	\$ 4.23
\$4.51 - 5.00	60,000	\$ 4.65	6.74	60,000	\$ 4.65
\$5.01 and over	470,000	\$ 16.32	2.51	441,875	\$ 16.98
	7,912,983			3,295,307	

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

	June 30,	
	2016	2015
Total fair value of options vested	1,265	1,266
Total intrinsic value of options exercised (a)	3	5

(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 three months ended June 30, 2016 and 2015.

The weighted-average grant-date fair value for the options granted during the three months ended June 30, 2016 and 2015 was \$0.81 and \$3.43, respectively.

At June 30, 2016 and 2015, there was \$8,103 and \$10,781 of total unrecognized stock-based compensation expense, respectively, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 2.46 and 2.48 years, respectively.

#### Valuation of Awards

For stock options granted under Digital Turbine's Incentive Plans, the Company 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 assumptions utilized in this model during three months ended June 30, 2016 are presented below.

	<b>June 30, 2016</b>
Risk-free interest rate	1.22% to 1.65%
Expected life of the options	5.77 to 10 years
Expected volatility	95% to 130%
Expected dividend yield	—%
Expected forfeitures	10% to 35%

Expected volatility is based on a blend of implied and historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected term of the Company's stock options. The Company 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 Stock Plans for the three months ended June 30, 2016 and 2015, which includes both stock options and restricted stock, was \$1,303 and \$1,621, respectively. See Note 9 regarding restricted stock.

## **9. Capital Stock Transactions**

### ***Preferred Stock***

There are 2,000,000 shares of Series A Convertible Preferred Stock, \$0.0001 par value per share ("Series A"), authorized and 100,000 shares issued and outstanding, which are currently convertible into 20,000 shares of common stock. 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 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 if-converted basis.

### ***Common Stock and Warrants***

In April 2016, the Company issued 930 shares of common stock for the exercise of options assumed by the Company as part of the acquisition of DT Media (Appia, Inc.) during March 2015.

In June 2016, the Company issued 3,282 shares of common stock for the exercise of options assumed by the Company as part of the acquisition of DT Media (Appia, Inc.) during March 2015.

## ***Restricted Stock Agreements***

From time to time, the Company enters into restricted stock agreements (“RSAs”) with certain employees, directors, and consultants. The RSAs have performance conditions, market conditions, time conditions, or a combination thereof. 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, 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.

### ***Service and Time Condition RSAs***

Awards of restricted stock are grants of restricted stock that are issued at no cost to the recipient. 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.

With respect to time condition RSAs, the Company expensed \$80 and \$327 during the three months ended June 30, 2016 and 2015, respectively.

The following is a summary of restricted stock awards and activities for all vesting conditions for the three months ended June 30, 2016:

	<b>Number of Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Unvested restricted stock outstanding as of March 31, 2016	110,046	1.45
Granted	—	—
Vested	(55,901)	1.44
Cancelled	—	—
Unvested restricted stock outstanding as of June 30, 2016	54,145	1.49

All restricted shares, vested and unvested, cancellable and not cancelled, have been included in the outstanding shares as of June 30, 2016.

At June 30, 2016, there was \$67 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 0.09 years.

## **10. Net Loss Per Share**

Basic net loss per share is calculated by dividing net loss by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase, and excludes any dilutive effects of employee stock-based awards in periods where the Company has net losses. Because the Company had net losses for the three months ended June 30, 2016 and 2015, all potentially dilutive shares of common stock were determined to be anti-dilutive, and accordingly, were not included in the calculation of diluted net loss per share.

The following table sets forth the computation of net loss per share of common stock (in thousands, except per share amounts):

	Three Months Ended June 30,	
	2016	2015
Net loss	\$ (7,412)	\$ (8,119)
Weighted-average common shares outstanding, basic and diluted	66,286	57,388
Basic and diluted net loss per common share	\$ (0.11)	\$ (0.14)
Common stock equivalents excluded from net loss per diluted share because their effect would have been anti-dilutive	770	1,011

## 11. Income Taxes

Our provision for income taxes as a percentage of pre-tax earnings ("effective tax rate") is based on a current estimate of the annual effective income tax rate, adjusted to reflect the impact of discrete items. In accordance with ASC 740, jurisdictions forecasting losses that are not benefited due to valuation allowances are not included in our forecasted effective tax rate.

During the three months ended June 30, 2016, tax expense of \$296 resulted in an effective tax rate of (4.2)%. Differences in the tax provision and the statutory rate are primarily due to changes in the valuation allowance.

During the three months ended June 30, 2015, tax expense of \$472 resulted in an effective tax rate of (6.2)%. Differences in the tax provision and statutory rate are primarily due to changes in the valuation allowance.

## 12. Commitments and Contingencies

### Legal Matters

The Company 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, and we do not believe that these proceedings and claims would reasonably be expected to have a material adverse effect on our financial position, results of operations or cash flows. The Company accrues a liability when it is both probable that a liability has been incurred, and the amount of the loss can be reasonably estimated. The Company 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 the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company'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. In those cases, we assess whether there is at least a reasonable possibility that a loss, or additional losses, may have been incurred. If there is a reasonable possibility that a loss or additional loss may have been incurred for such proceedings, we disclose the estimate of the amount of loss or possible range of loss, or disclose that an estimate of loss cannot be made, as applicable.

The following is a discussion of the Company'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 approximately \$5,300, was filed in the Tel-Aviv Jaffa District Court against Coral Tell Ltd., an Israeli company that owns and operates a website offering advertisements. 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 aggregate will not be material to the financial position or results or operations of the Company for any future period.

The Company does not believe there is a probable and estimable claim. Accordingly, the Company has not accrued any liability.

### 13. Segment and Geographic Information

The Company manages its business in three operating segments: O&O, A&P, and Content. The three 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 280-10-50-11 and 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 following information sets forth segment information on our net revenues and loss from operations for three months ended June 30, 2016 and 2015, respectively. During fiscal 2016 the company changed its methodology for how corporate operating expenses are allocated to the Company's Advertising and Content operating segments as the new method of allocation is deemed by management to be a more accurate representation for how the expenses relate to the operations and development of the Advertising and Content segments. Corporate operating expenses in fiscal 2015 were previously allocated between the Advertising and Content segments based on employee headcount. Corporate operating expenses in fiscal 2016 are now being allocated based on the percentage of revenue between Advertising and Content for the Company as a whole. Prior period fiscal 2015 figures presented have been updated to reflect these changes and are comparable to the fiscal 2016 figures presented.

	Content	Advertising	Total
<b>Three months ended June 30, 2016</b>			
Net revenues	\$ 11,230	\$ 12,809	\$ 24,039
Loss from operations	(1,405)	(5,044)	(6,449)
<b>Three months ended June 30, 2015</b>			
Net revenues	\$ 7,070	\$ 11,616	\$ 18,686
Loss from operations	\$ (2,005)	\$ (5,146)	\$ (7,151)

The following information sets forth geographic information on our net revenues for the three months ended June 30, 2016 and 2015. Net revenues by geography are based on the billing addresses of our customers. Two major Content customers accounted for approximately 32.9% and 11.0% of net revenues during the three months ended June 30, 2016, and approximately 29.6% and 3.7%, respectively, of net revenues during the three months ended June 30, 2015, respectively.

	Three Months Ended June 30,	
	2016	2015
Net revenues		
United States & Canada	\$ 6,669	\$ 7,134
Europe, Middle East, & Africa	3,758	3,298
Asia Pacific & China	13,396	8,066
Mexico, Central America, & South America	216	188
Consolidated net revenues	\$ 24,039	\$ 18,686

## 14. Related-Party Transactions

None.

## 15. Subsequent Events

On July 15, 2016, DTM and North Atlantic entered into a Fourth Amendment to Securities Purchase Agreement, where DTM agreed to pay North Atlantic the amount of \$75 as consideration to extend the Retirement Date to August 29, 2016. Refer to Note 8 for more details.

## ITEM 2. 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 Quarterly Report on Form 10-Q (the "Report") and the following discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and the provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements involve substantial risks and uncertainties. When used in this Report, the words "anticipate," "believe," "estimate," "expect," "will," "seeks," "should," "could," "would," "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" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016. Historical operating results are not necessarily indicative of the trends in operating results for any future period. We do not undertake any obligation to update any forward-looking statements made in this 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.

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

### *Company Overview*

Digital Turbine, through its subsidiaries, innovates at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, application 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 two businesses:

- O&O, an advertiser solution for unique and exclusive carrier and OEM inventory which is comprised of services including:
  - Ignite, a mobile device management platform with targeted application distribution capabilities, and
  - Discover, an intelligent application discovery platform.
- A&P, a leading worldwide mobile user acquisition network which is comprised of services including:
  - Syndicated network, and
  - RTB or programmatic advertising.

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

- Marketplace, an application and content store, and
- Pay, a content management and mobile payment solution.

### *Advertising*

#### *O&O Business*

The Company's O&O business is an advertiser solution for unique and exclusive carrier and OEM inventory, which is comprised of services including Ignite and Discover.

Ignite is a mobile application management software that enables mobile operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a mobile device. Ignite allows mobile operators to personalize the app activation 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 advertisers. There are several different delivery methods available to operators and OEMs on first boot of the device: Wizard, Silent, Software Development Kit ("SDK"), or Direct through Discover. Optional notification features are available throughout the life cycle of the device, providing operators additional opportunity for advertising revenue streams. The Company has launched Ignite with mobile operators and OEMs in North America, Latin America, Europe, Asia Pacific, India, and Israel.

Discover enables end user application and content discovery, both organic and sponsored, through a variety of user interfaces. The recommendation engine powering Discover and other Digital Turbine products is AppSource, which provides intelligent recommendations to the device end user. Monetization occurs through the display of and/or recommendation of applications via the CPI commercial model. Discover has been deployed with mobile operators in North America and Asia Pacific.

#### *A&P Business*

The Company's A&P business, formerly 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. The A&P business, through its syndicated network service, accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, mobile carriers, and mediated relationships. The A&P business also accesses mobile ad inventory by purchasing inventory through exchanges using RTB. The advertising revenue generated by A&P platform is shared with publishers according to contractual rates in the case of direct or mediated relationships. When inventory is accessed using RTB, A&P buys inventory at a rate determined by the marketplace. Since inception, A&P has delivered over 150 million application installs for hundreds of advertisers.

#### *Content*

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, which are not as prominent in select countries. Pay allows publishers and carriers to monetize those applications by allowing the content to be billed directly to the consumer via carrier billing. Pay has been launched in Australia, Philippines, India, and Singapore.

Marketplace is a white-label solution for mobile operators and OEMs to offer their own branded content store. 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. Marketplace also includes the distribution and licensing of content across multiple content categories including music, applications, wallpapers, videos, and games. Marketplace is deployed with many operators across multiple countries including Australia, Philippines, Singapore, and Indonesia.

## RESULTS OF OPERATIONS

	Three Months Ended		% of Change
	June 30, 2016	June 30, 2015	
	(in thousands, except per share amounts)		
Net revenues	\$ 24,039	\$ 18,686	28.6 %
License fees and revenue share	19,224	14,221	35.2 %
Other direct costs of revenues	1,880	2,191	(14.2)%
Gross profit	2,935	2,274	29.1 %
Total operating expenses	9,384	9,425	(0.4)%
Loss from operations	(6,449)	(7,151)	(9.8)%
Interest expense, net	(682)	(491)	38.9 %
Foreign exchange transaction gain / (loss)	(3)	1	(400.0)%
Loss on disposal of fixed assets	—	(23)	(100.0)%
Other income	18	17	5.9 %
Loss from operations before income taxes	(7,116)	(7,647)	(6.9)%
Income tax provision	296	472	(37.3)%
Net loss	\$ (7,412)	\$ (8,119)	(8.7)%
Basic and diluted net loss per common share	\$ (0.11)	\$ (0.14)	(21.4)%
Weighted-average common shares outstanding, basic and diluted	66,286	57,388	15.5 %

### Comparison of the Three Months Ended June 30, 2016 and 2015

#### Revenues

	Three Months Ended June 30,		% of Change
	2016	2015	
	(in thousands)		
Revenues by type:			
Content	\$ 11,230	\$ 7,070	58.8%
Advertising	12,809	11,616	10.3%
Total	\$ 24,039	\$ 18,686	28.6%

During the three months ended June 30, 2016 there was an approximately \$5,353 or 28.6% increase in overall revenue, as compared to the three months ended June 30, 2015. During the three months ended June 30, 2016, as compared to the three months ended June 30, 2015, the Company experienced growth in both the Content and Advertising businesses. Organic growth in Advertising was driven by significant growth in O&O revenue, which offset a decline in A&P revenue. O&O revenue growth was driven by increased CPI and CPP revenue from Advertising partners across existing carrier distribution partners as well as expansion with new carrier distribution partners. A&P revenue declined due to decreased budget allocation from Advertising partners. The increase in the Content business was driven primarily by growth in Pay from overall increased demand for the product with customers in Australia, and from an increase in marketing spend by Content providers during the three months ended June 30, 2016 that is not expected to continue at the same level of spend going forward. The increase in the Content business was offset by a decline in Marketplace. For more details on the Company's services included in the Advertising and Content segments, see PART I Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations, section titled "Revenue by Service Category."

## Gross Margins

	Three Months Ended June 30,		% of Change
	2016	2015	
	(in thousands)		
<b>Gross margin by type:</b>			
Content gross margin \$	\$ 1,189	\$ 798	49.0%
Content gross margin %	10.6%	11.3%	
Advertising gross margin \$	\$ 1,746	\$ 1,476	18.3%
Advertising gross margin %	13.6%	12.7%	
Total gross margin \$	\$ 2,935	\$ 2,274	29.1%
Total gross margin %	12.2%	12.2%	

Total gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles) was approximately \$2,935 or 12.2% for the three months ended June 30, 2016, versus approximately \$2,274 or 12.2% for the three months ended June 30, 2015. The increase in gross margin dollars from \$2,274 to \$2,935 is primarily attributable to growth in the Advertising business driven by O&O revenue and growth in the Content business driven by Pay revenue. Overall gross margin percentage remained flat as growth in higher gross margin Advertising revenue and lower amortization of intangibles were coupled with an increase in lower gross margin Pay revenue.

Content gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles), was approximately \$1,189 or 10.6% for the three months ended June 30, 2016, versus approximately \$798 or 11.3% for the three months ended June 30, 2015. The increase in Content gross margin dollars was due primarily to the increase in overall demand for the Company's Pay service and the service being launched with new customers in Australia. The decrease in Content gross margin percentage was due primarily to a mix shift from Marketplace to Pay, which carries a lower gross margin. For more details on the Company's services included in the Content segment, see PART I Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations, section titled "Revenue by Service Category."

Advertising gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles), was approximately \$1,746 or 13.6% for the three months ended June 30, 2016, versus approximately \$1,476 or 12.7% for the three months ended June 30, 2015. The increase in advertising gross margin dollars and percentage was primarily attributable to growth in O&O revenue. For more details on the Company's services included in the Advertising segment, see PART I Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations, section titled "Revenue by Service Category."

## Operating Expenses

	Three Months Ended June 30,		% of Change
	2016	2015	
	(in thousands)		
Product development	\$ 2,835	\$ 2,754	2.9 %
Sales and marketing	1,444	1,282	12.6 %
General and administrative	5,105	5,389	(5.3)%
Total operating expenses	\$ 9,384	\$ 9,425	(0.4)%

Product development expenses include the development and maintenance of the Company's product suite, including A&P and O&O, as well as the costs to support Pay and 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, advertising and marketing campaigns, and campaign management.

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 the three months ended June 30, 2016 and 2015 were approximately \$9,384 and \$9,425, respectively, a decrease of approximately \$41 or 0.4%.

Product development expenses for the three months ended June 30, 2016 and 2015 were approximately \$2,835 and \$2,754, respectively, an increase of approximately \$81 or 2.9%. The increase in product development expenses year-over-year was primarily attributable to the Company's investment in the offices in Tel Aviv, Israel and Durham, North Carolina through additional headcount being added in those regions.

Sales and marketing expenses for the three months ended June 30, 2016 and 2015 were approximately \$1,444 and \$1,282, respectively, an increase of approximately \$162 or 12.6%. The increase in sales and marketing expenses year-over-year was primarily attributable to increased commissions associated with the sales team generating more revenue through new and existing advertising relationships.

General and administrative expenses for the three months ended June 30, 2016 and 2015 were approximately \$5,105 and \$5,389, respectively, a decrease of approximately \$284 or 5.3%. The decrease in general and administrative expenses year-over-year includes a decrease in total stock compensation expense of \$318 from \$1,621 to \$1,303, for the three months ended June 30, 2015 and 2016, respectively.

#### ***Other Income and Expenses***

	<b>Three Months Ended June 30,</b>		<b>% of Change</b>
	<b>2016</b>	<b>2015</b>	
	<b>(in thousands)</b>		
Interest expense, net	\$ (682)	\$ (491)	38.9 %
Foreign exchange transaction gain / (loss)	(3)	1	(400.0)%
Loss on disposal of fixed assets	—	(23)	(100.0)%
Other income	18	17	5.9 %
<b>Total interest and other expense, net</b>	<b>\$ (667)</b>	<b>\$ (496)</b>	<b>34.5 %</b>

Total interest and other expense, net, for the three months ended June 30, 2016 and 2015 were approximately \$667 and \$496, respectively, an increase in net expenses of approximately \$171 or 34.5%. Interest and other expense, net, includes net interest expense, foreign exchange transaction gain / (loss), loss on disposal of fixed assets, and other ancillary costs incurred by the Company. This increase in total interest and other expense, net, was primarily attributable to net interest expense which includes additional fees incurred related to the amendments entered into by the Company with SVB and North Atlantic, as well as the scheduled increase in Subordinated Debenture interest rate from 10% to 14%, during the three months ended June 30, 2016.

#### ***Revenues by Product and Service Categories***

The following table summarizes our net revenues by product and service categories for the three months ended June 30, 2016 and 2015. The amount or percentage of total revenue contributed by class of products and services has been presented for those classes accounting for more than 10% or more of total net revenue in any of the periods presented, with all other amounts individually representing less than 10% of total net revenue included in the Other category.

	3 Months Ended June 30, 2016		3 Months Ended June 30, 2015		% of Change
	Dollars (in thousands)	% of Net Revenues	Dollars (in thousands)	% of Net Revenues	
<i>Net revenues</i>					
Pay	10,721	44.6%	5,674	30.4%	88.9 %
Ignite	6,825	28.4%	2,765	14.8%	146.8 %
Syndicated Network	5,779	24.0%	8,414	45.0%	(31.3)%
Other	714	3.0%	1,833	9.8%	(61.0)%
Total net revenues	\$ 24,039	100.0%	\$ 18,686	100.0%	28.6 %

### *Advertising*

The Company's O&O business is an advertiser solution for unique and exclusive carrier and OEM inventory. During the three months ended June 30, 2016, the main revenue driver for the O&O business was the Ignite service. Ignite is a mobile application management software that enables mobile operators and OEMs to control, manage, and monetize applications installed at the time of activation and over the life of a mobile device. During the three months ended June 30, 2016 there was an approximately \$4,060 or 146.8% increase in Ignite net revenues, as compared to the three months ended June 30, 2015. This increase in Ignite net revenue was attributable to organic growth in Ignite, driven primarily by increased CPI and CPP revenue from advertising partners across existing commercial deployments of Ignite with carrier partners as well as expanded distribution with new carrier partners.

The Company's A&P business, formerly 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. The A&P business, through its syndicated network service, accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, mobile carriers and mediated relationships. The advertising revenue generated by A&P platform is shared with publishers according to contractual rates in the case of direct or mediated relationships. During the three months ended June 30, 2016, the decrease in revenue for the A&P business was primarily attributable to the syndicated network service. During the three months ended June 30, 2016 there was an approximately \$2,635 or 31.3% decrease in syndicated network net revenues, as compared to the three months ended June 30, 2015. This decrease in syndicated network revenue was due primarily to the decrease in budget allocations from advertising partners.

### *Content*

Pay is an 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, which are not as prominent in select countries. Pay allows publishers and carriers to monetize those applications by allowing the content to be billed directly to the consumer via carrier billing. Pay has been launched in Australia, Philippines, India, and Singapore. During the three months ended June 30, 2016 there was an approximately \$5,047 or 88.9% increase in Pay net revenues, as compared to the three months ended June 30, 2015. This increase in Pay net revenue was due primarily to the increase in overall demand for the Company's Pay service and the service being launched with new customers in Australia and India, and from an increase in marketing spend by Content providers during the three months ended June 30, 2016 that is not expected to continue at the same level of spend going forward.

## Liquidity and Capital Resources

### Selected Financial Information

	June 30, 2016	March 31, 2016
	(in thousands)	
Cash and cash equivalents	\$ 9,412	\$ 11,231
<b>Short-term debt</b>		
Revolving line of credit, principal	3,000	3,000
Secured debenture, net of discounts of \$322 and \$440, respectively	7,678	7,560
Debt issuance costs	(202)	(128)
Total short-term debt	<u>10,476</u>	<u>10,432</u>
<b>Working capital</b>		
Current assets	25,701	29,546
Current liabilities	<u>39,448</u>	<u>38,854</u>
Working capital	<u>\$ (13,747)</u>	<u>\$ (9,308)</u>

### Working Capital

Cash and cash equivalents totaled approximately \$9,412 and \$11,231 at June 30, 2016 and March 31, 2016, respectively, a decrease of approximately \$1,819 or 16.2%. Current assets totaled approximately \$25,701 and approximately \$29,546 at June 30, 2016 and March 31, 2016, respectively, a decrease of approximately \$3,845 or 13.0%. As of June 30, 2016 and March 31, 2016, the Company had approximately \$15,648 and \$17,519, respectively, in accounts receivable, a decrease of \$1,871 or 10.7%. As of June 30, 2016 and March 31, 2016 the Company's working capital deficit was \$13,747 and \$9,308, respectively, an increase of \$4,439 or 47.7%, with the increase due primarily to a decrease in cash and cash equivalents and accounts receivable of approximately \$1,819 and \$1,871, respectively. The working capital deficit as of June 30, 2016 and March 31, 2016 included the impact of the subordinated debenture with North Atlantic becoming classified as a current liability because it is maturing on March 6, 2017 amounting to \$7,678 (net of discounts of \$332) and \$7,560 (net of discounts of \$440), respectively. Excluding the classification of the subordinated debenture with North Atlantic in current liabilities at June 30, 2016 and March 31, 2016, the Company's working capital deficit would have been \$6,069 and \$1,748, respectively.

Our primary sources of liquidity have historically been issuance of common and preferred stock and convertible debt. As of June 30, 2016, we had cash and cash equivalents totaling approximately \$9,412. Additionally, the Company currently has a \$3,300 revolving credit facility in place with Silicon Valley Bank, which it has historically used to fund working capital requirements, as needed. As of June 30, 2016, the Company had \$3,000 outstanding on its revolving credit facility with Silicon Valley Bank, which is included in current liabilities.

On June 28, 2016, our wholly-owned subsidiary DTM, and Silicon Valley Bank, entered into the Third Amendment to the Third Amended and Restated Loan and Security Agreement (the "Amendment"), pursuant to which Silicon Valley Bank agreed to amend and restate the existing Second Amendment to the Third Amended and Restated Loan and Security Agreement to decrease the revolving line of credit available under such facility from \$5,000 to \$3,300, and to extend the maturity date under the facility from June 30, 2016 to August 14, 2016. Pursuant to the Amendment, the adjusted quick ratio covenant and the application of the streamline trigger (which is not a financial covenant) detailed in the Second Amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015, were removed and replaced with the requirement for the Company to maintain a minimum amount of cash held at SVB to be calculated based on hard outstandings on the revolving line of credit plus \$1,000. Amounts outstanding under letters of credit and business credit cards are not included in this calculation. Under the Amendment, the Company is still required to deliver consolidated financial statements in addition to DTM.

The Company expects to use net cash on hand for organic business opportunities, product development, general corporate purposes, working capital, and capital expenditures, and for repayment of debt. The Company believes that it has sufficient cash, cash equivalents, and capital resources to operate its business for the next twelve months.

The Company may raise additional capital through future debt or equity financing to provide for greater flexibility to make acquisitions, make new investments in under-capitalized opportunities, or invest in organic opportunities, including Real-Time Bidding (RTB), integration of Content/Pay into advertising infrastructure, or new product development. 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.

As of June 30, 2016, our total contractual cash obligations were as follows:

<i>Contractual cash obligations</i>	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>
Principal payments on short-term debt	11,000	11,000	—	—	—
Operating leases (a)	4,043	948	1,676	969	450
Employment agreements and other obligations (b)	1,024	566	458	—	—
Interest	764	764	—	—	—
Uncertain tax positions (c)	—	—	—	—	—
<b>Total contractual cash obligations</b>	<b>16,831</b>	<b>13,278</b>	<b>2,134</b>	<b>969</b>	<b>450</b>

(a) Consists of operating leases for our office facilities.

(b) Consists of various employment agreements and severance agreements.

(c) We have approximately \$835 in additional liabilities associated with uncertain tax positions that are not expected to be liquidated within the next twelve months. We are unable to reliably estimate the expected payment dates for these additional non-current liabilities.

### *Cash Flow Summary*

	<b>Three Months Ended June 30,</b>		<b>% of Change</b>
	<b>2016</b>	<b>2015</b>	
	(in thousands)		
<b>Consolidated statement of cash flows data:</b>			
Net cash used in operating activities	(1,096)	(336)	226.2 %
Capital expenditures	(472)	(341)	38.4 %
Repayment of debt obligations	—	(150)	(100.0)%
Cash paid for debt issuance costs	(280)	—	100.0 %
Options exercised	2	10	(80.0)%
Effect of exchange rate changes on cash and cash equivalents	27	(72)	(137.5)%

### *Operating Activities*

During the three months ended June 30, 2016 and 2015, the Company's net cash used in operating activities was \$1,096 and \$336, respectively, an increase of \$760 or 226.2%. The increase in net cash used in operating activities was primarily attributable to the change in working capital accounts over the comparative periods.

During the three months ended June 30, 2016, net cash used in operating activities was \$1,096, resulting from a net loss of \$7,412 offset by net non-cash expenses of \$3,631, which included depreciation and amortization, stock-based compensation, stock-based compensation related to vesting of restricted stock for services, amortization of debt discount, amortization of debt issuance costs, a reduction in the allowance for doubtful accounts, and an increase in accrued interest of approximately \$2,094, \$1,223, \$80, \$118, \$224, \$109, and \$1, respectively. Net cash used in operating activities during the three months ended June 30, 2016 was impacted by the change in net working capital accounts as of June 30, 2016 compared to March 31, 2016, with a net increase in current liabilities of approximately \$550 (inclusive only of accounts payable, accrued license fees and revenue share, accrued compensation, and other liabilities and other items) and a net decrease in current assets of approximately \$2,135 (inclusive only of accounts receivable, deposits, and prepaid expenses and other current assets) over the comparative periods. The net increase in working capital account liabilities was driven primarily by the increase in accrued license fees and revenue share of \$419, mostly due to the timing of payments. The net decrease in working capital account assets was driven primarily by a focus on accounts receivable collections.

During the three months ended June 30, 2015, net cash used in operating activities was \$336, resulting from a net loss of \$8,119 offset by net non-cash expenses of \$3,958, which included depreciation and amortization, stock-based compensation, stock-based compensation related to vesting of restricted stock for services, amortization of debt discount, a reduction in the allowance for doubtful accounts, loss on disposal of fixed assets, and an increase in accrued interest of approximately \$2,241, \$1,294, \$327, \$117, \$131, \$23, and \$87, respectively. Net cash used in operating activities during the three months ended June 30, 2015 was impacted by the change in net working capital accounts as of June 30, 2015 compared to March 31, 2015, with a net increase in current liabilities of approximately \$4,114 (inclusive only of accounts payable, accrued license fees and revenue share, accrued compensation, and other liabilities and other items), offset by a net increase in current assets of approximately \$289 (inclusive only of accounts receivable, deposits, and prepaid expenses and other current assets) over the comparative periods. The net increase in working capital account liabilities was driven primarily by driven by working capital and liquidity management, with a focus on utilizing the full and extended payment terms on our liabilities.

#### ***Investing Activities***

For the three months ended June 30, 2016 and 2015, cash used in investing activities was approximately \$472 and \$341, respectively, which is comprised of capital expenditures related to internally developed software.

#### ***Financing Activities***

For the three months ended June 30, 2016 and 2015, cash used in financing activities was approximately \$278 (inclusive of payment for debt issuance costs of \$280, offset by options exercised of \$2) and \$140 (inclusive of repayment of debt obligations of \$150, offset by stock options exercised of \$10), respectively.

#### ***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.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, primarily interest rate and foreign currency exchange risks.

#### ***Interest Rate Fluctuation Risk***

The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. Our cash and cash equivalents consist of cash and deposits which are not insensitive to interest rate changes.

Our borrowings under our credit facility are subject to variable interest rates and thus expose us to interest rate fluctuations depending on the extent to which we utilize the credit facility. If market interest rates materially increase, our results of operations could be adversely affected. Our borrowings under our credit facility are subject to variable interest rates and thus expose us to interest rate fluctuations depending on the extent to which we utilize the credit facility. If market interest rates materially increase, our results of operations could be adversely affected. A hypothetical increase in market interest rates of 100 basis points would result in an increase in our interest expense of \$0.01 million per year for every \$1 million of outstanding debt under the credit facility.

#### ***Foreign Currency Exchange Risk***

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than the U.S. dollar, primarily the Australian dollar. While a portion of our sales are denominated in foreign currencies and then translated into U.S. dollars, the vast majority of our media costs are billed in U.S. dollars, causing both our revenue and, disproportionately, our operating loss and net loss to be impacted by fluctuations in exchange rates. In addition, gains/(losses) related to translating certain cash balances, trade accounts receivable balances, and inter-company balances that are denominated in these currencies impact our net income/(loss). As our foreign operations expand, our results may be more impacted by fluctuations in the exchange rates of the currencies in which we do business.

#### **ITEM 4. CONTROLS AND PROCEDURES**

This Report includes the certifications of our Chief Executive Officer and Chief Financial Officer, as required by Rule 13a-14 of the Securities Exchange Act of 1934 (the “Exchange Act”). See Exhibits 31.1 and 31.2. Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

#### ***Background***

As previously disclosed under “Part II - Item 9A - Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016, management concluded that our internal controls over financial reporting were not effective as of March 31, 2016, because of certain deficiencies that constituted material weaknesses in our internal controls over financial reporting. Material weaknesses could result in material misstatements of substantially all of our financial statement accounts, which would result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

Our management has been actively engaged in the implementation of remediation efforts to address the material weaknesses, as well as other identified areas of risk. For a complete description of management’s remediation plan, see “Part II - Item 9A - Controls and Procedures” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016.

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

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Report, Digital Turbine's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation and the identification of certain material weaknesses in internal controls over financial reporting, which we view as an integral part of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of June 30, 2016. Nevertheless, based on a number of factors, including the performance of additional procedures by management designed to ensure the reliability of our financial reporting, we believe that the consolidated financial statements in this Report fairly present, in all material respects, our financial position, results of operations, and cash flows as of the dates, and for the periods, presented, in conformity with GAAP.

### ***Management's Plan for Remediation***

The material weakness we identified associated with the Financial Close and Reporting process arises primarily from (i) a lack of a sufficient complement of accounting and financial reporting personnel who were unable to implement formal accounting policies with an appropriate level of accounting knowledge and experience commensurate with our financial reporting requirements, and (ii) inadequate accounting systems including information technology systems directly related to financial statement processes and a heavy reliance on manual processes.

We have taken and completed certain actions, with other planned actions to be taken during fiscal 2017 to remediate the material weakness.

#### *Completed Actions*

- Hired a Chief Accounting Officer "CAO" on February 27, 2015 (who resigned during our first quarter of fiscal 2017; Mr. David Wesch is now our current Acting CAO).

#### *Planned Actions*

- Expect to hire additional finance and accounting resources across the global organization.
- Evaluate accounting and finance headcount resources globally to ensure that resources are sufficient to meeting the accounting and finance requirements of the Company.
- Continue working 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.
- Implement a billing, disbursement and stock option accounting system and integrate with SAP.
- Continue to document 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
- Continue to conduct formal training related to key accounting policies, internal controls, and SEC compliance for 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.

The remediation plan, once fully implemented and determined to be operating effectively, is expected to result in the remediation of the identified material weaknesses in internal controls over financial reporting.

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

Other than as discussed in Management's Plan for Remediation above, there was no change in our internal controls over financial reporting during the quarter ended June 30, 2016 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II - OTHER INFORMATION**

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

None.

### **Item 1 (A). Risk Factors**

Registrant is not aware of any material risk factors since those set forth under “Risk Factors” in its Annual Report in Form 10-K, as amended, for the year ended March 31, 2016.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**ITEM 6. EXHIBITS**

- 10.1 Second Amendment dated March 1, 2016 to Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank.\*
- 10.2 Third Amendment dated June 28, 2016 to Third Amended and Restated Loan and Security Agreement with Silicon Valley Bank, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039 ), filed with the Commission on June 30, 2016.
- 10.3 Third Amendment, dated as of June 15, 2016 to Common Stock Purchase Warrant Agreement by Digital Turbine, Inc., issued to North Atlantic SBIC IV, L.P.\*
- 10.4 Fourth Amendment, dated as of July 15, 2016 to Common Stock Purchase Warrant Agreement by Digital Turbine, Inc., issued to North Atlantic SBIC IV, L.P.\*
- 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

\*\* In accordance with SEC Commission Release No. 33-8212, these exhibits are being furnished, and are not being filed, as part of the Report on Form 10-Q or as a separate disclosure document, and are not being incorporated by reference into any Securities Act registration statement.

**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: August 9, 2016

Digital Turbine, Inc.

By: /s/

---

William Stone  
Chief Executive Officer  
(Principal Executive Officer)

**CONSENT AND SECOND AMENDMENT TO  
THIRD AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT**

This Consent and Second Amendment to Third Amended and Restated Loan and Security Agreement (this “Consent”) is entered into as of March 1, 2016, by and between Silicon Valley Bank (“Bank”) and Digital Turbine Media, Inc. (f/k/a Appia, Inc., f/k/a PocketGear, Inc.), a Delaware corporation (“Borrower”) whose address is 320 Blackwell Street, 4th Floor, Durham, NC 27701.

**RECITALS**

**A.** Bank and Borrower have entered into that certain Third Amended and Restated Loan and Security Agreement dated as of June 11, 2015, as amended by that certain First Amendment to Third Amended and Restated Loan and Security Agreement by and between Bank and Borrower dated as of November 30, 2015 (as the same may from time to time be further amended, modified, supplemented or restated, the “Loan Agreement”). Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

**B.** Borrower, Digital Turbine USA, Inc. (f/k/a Digital Turbine, Inc.) (“DT USA”), and North Atlantic SBIC IV, L.P. (“North Atlantic”) have entered into that certain Securities Purchase Agreement dated as of March 6, 2015 (as amended from time to time, the “Purchase Agreement”). Borrower, DT USA and North Atlantic intend to amend the Purchase Agreement to, among other things, add a prepayment premium if the New Debenture (as defined in the Purchase Agreement) is prepaid prior to the scheduled maturity date (the “Purchase Agreement Amendment”). Borrower has requested that Bank consent to the Purchase Agreement Amendment.

**C.** Borrower has further requested that Bank amend the Loan Agreement to (i) modify the financial covenant calculation and (ii) make certain other revisions to the Loan Agreement as more fully set forth herein.

**D.** Bank has agreed to consent to the Purchase Agreement Amendment and to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions and in reliance upon the representations and warranties set forth below.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

**1. Definitions.** Capitalized terms used but not defined in this Consent shall have the meanings given to them in the Loan Agreement.

**2. Consent.** Subject to the terms of Section 9 below, Bank hereby consents to the Purchase Agreement Amendment and agrees that Borrower’s entry into the Purchase Agreement Amendment shall not, in and of itself, constitute an “Event of Default” under the Loan Agreement.

### **3. Amendments to Loan Agreement.**

**3.1 Section 13 (Definitions).** The following term and its definition set forth in Section 13.1 are amended in their entirety and replaced with the following:

“**Adjusted Quick Ratio**” is the ratio of Parent’s consolidated (a) Quick Assets to (b) (i) Current Liabilities (but, prior to July 1, 2016 (or such later date as consented to in writing by Bank in its sole and absolute discretion), specifically excluding Indebtedness owing to North Atlantic SBIC IV, L.P. (“North Atlantic”)) minus (ii) Deferred Revenue minus (iii) non-cash liabilities.

**3.2 Section 13 (Definitions).** The definition of “Permitted Liens” in Section 13.1 is amended by deleting the word “and” from the end of clause (k), replacing the period at the end of clause (l) with and”, and adding a new clause (m) as follows:

(m) Liens constituting cash collateral to secure real property lease obligations pursuant to certain lease arrangements incurred in the ordinary course of business and disclosed in writing to Bank in an aggregate amount not to exceed Three Hundred Thousand Dollars (\$300,000) at any time.

**3.3 Exhibit B (Compliance Certificate).** Exhibit B to the Loan Agreement is amended in its entirety and replaced with Exhibit B attached hereto.

### **4. Limitation of Amendments.**

**4.1** The amendments set forth in Section 3, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

**4.2** This Consent shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

**5. Representations and Warranties.** To induce Bank to enter into this Consent, Borrower hereby represents and warrants to Bank as follows:

**5.1** Immediately after giving effect to this Consent, (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

**5.2** Borrower has the power and authority to execute and deliver this Consent and to perform its obligations under the Loan Agreement, as amended by this Consent;

**5.3** The organizational documents of Borrower most recently delivered to Bank remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

**5.4** The execution and delivery by Borrower of this Consent and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Consent, have been duly authorized by all necessary action on the part of Borrower;

**5.5** The execution and delivery by Borrower of this Consent and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Consent, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

**5.6** The execution and delivery by Borrower of this Consent and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Consent, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on either Borrower, except as already has been obtained or made; and

**5.7** This Consent has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

**6. Integration.** This Consent and 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 this Consent and the Loan Documents merge into this Consent and the Loan Documents.

**7. Prior Agreement.** Except as expressly provided for in this Consent, the Loan Documents are hereby ratified and reaffirmed and shall remain in full force and effect. This Consent is not a novation and the terms and conditions of this Consent shall be in addition to and supplemental to all terms and conditions set forth in the Loan Documents. In the event of any conflict or inconsistency between this Consent and the terms of such documents, the terms of this Consent shall be controlling, but such document shall not otherwise be affected or the rights therein impaired.

**8. Counterparts.** This Consent may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

**9. Effectiveness.** This Consent shall be deemed effective upon (a) the due execution and delivery to Bank of this Consent by each party hereto, (b) payment by Borrower to Bank of an amendment fee in the amount of Five Thousand Dollars (\$5,000) and (c) payment of Bank's legal fees and expenses in connection with the negotiation and preparation of this Consent.

**10. Governing Law.** This Consent and the rights and obligations of the parties hereto shall be governed by and construed in accordance with the laws of the State of California.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Consent to be duly executed and delivered as of the date first written above.

**BANK**

**BORROWER**

Silicon Valley Bank

Digital Turbine Media, Inc.

By: /s/ Victor Lee

By: /s/ Andrew Schleimer

Name: Victor Lee

Name: Andrew Schleimer

Title: VP

Title: CFO

**EXHIBIT B**

**COMPLIANCE CERTIFICATE**

TO: SILICON VALLEY BANK  
FROM: DIGITAL TURBINE MEDIA, INC.

Date: \_\_\_\_\_

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.**

<u>Reporting Covenant</u>	<u>Required</u>	<u>Complies</u>
Monthly financial statements of Parent 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")

<u>Financial Covenant</u>	<u>Required</u>	<u>Actual</u>	<u>Complies</u>
Maintain on a Monthly Basis*:			
Minimum Adjusted Quick Ratio:	0.90:1.00	:1.00	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), measured as of the reporting date (i.e. the date hereof), is greater than or equal to \$15,000,000.

<u>Performance Pricing</u>		<u>Applies</u>
AQR > 1.00:1.00	Prime + 1.75%	Yes No
AQR < 1.00:1.00	Prime + 2.75%	Yes No

<u>Streamline Period</u>		<u>Applies</u>
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 through 11/30/15; 75% for the 3 months ending 12/31/15 and thereafter, of Borrower's projected revenue for such three (3) month period as set forth in the operating budget of Parent delivered to and accepted by Bank on October 20, 2015.

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: \_\_\_\_\_  
Date: \_\_\_\_\_

Verified: \_\_\_\_\_  
AUTHORIZED SIGNER

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Compliance Status: Yes No

317380031.1

---

**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. Adjusted Quick Ratio**

Required: 0.90:1.00\* (for financial covenant)

1.00:1.00 (for performance pricing)

\* The financial 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), measured as of the reporting date (i.e. the date hereof), is greater than or equal to \$15,000,000. However, the Adjusted Quick Ratio will still be tested to determine pricing.

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 (but, prior to 7/1/16 (or such later date as consented to in writing by Bank in its sole and absolute discretion), specifically excluding Indebtedness owing to North Atlantic) | \$__    |
| 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 |

Is line J equal to or greater than 0.90:1.00 (or has one of the two tests above been met)?

\_\_\_\_\_ No, not in compliance      \_\_\_\_\_ Yes, in compliance

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%

317380031.1

### THIRD AMENDMENT TO COMMON STOCK PURCHASE WARRANT

This Third Amendment to Common Stock Purchase Warrant (this “**Amendment**”), dated as of June 15, 2016, is being entered into by and between Digital Turbine USA, Inc. (f/k/a Digital Turbine, Inc.), a Delaware corporation (the “**Company**”), and North Atlantic SBIC IV, L.P., a Delaware limited partnership (the “**Registered Holder**”). Capitalized terms used in this Amendment without definition have the respective definitions ascribed to them in the Warrant (as defined below).

WHEREAS, the Company, Digital Turbine Media, Inc. (f/k/a Appia, Inc.) and the Registered Holder have executed and delivered that certain Securities Purchase Agreement, dated as of March 6, 2015 (as amended, the “**Purchase Agreement**”).

WHEREAS, the Company has issued its Common Stock Purchase Warrant to Registered Holder on March 6, 2015 (the “**Original Warrant**”); the Original Warrant was amended by the Amendment to Common Stock Purchase Warrant, dated February 7, 2016, and by the Second Amendment to Common Stock Purchase Agreement, dated May 6, 2016 (as the same may from time to time be further amended, modified, supplemented or restated, the “**Warrant**”); and WHEREAS, pursuant to the Purchase Agreement and Section 14 of the Warrant, the Company and the Registered Holder have agreed to further amend the Warrant as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**Section 1. AMENDMENT TO WARRANT** . The first sentence of Section 1 of the Warrant is hereby deleted in its entirety and replaced with the following:

This Warrant shall become fully vested on July 15, 2016 (the “**Vesting Date**”) if, and only if, all interest, principal and other amounts owed to the Registered Holder pursuant to that certain Debenture issued by Appia on or about the date hereof (the “**Obligations**”) pursuant to the Purchase Agreement have not been paid in full on or before such Vesting Date.

**Section 2. EFFECTIVE DATE; CONDITIONS PRECEDENT** . This Amendment will become effective upon (a) its execution by the Parties, (b) evidence, as reasonably requested by Purchaser, of the due execution and delivery of this Amendment by the Companies and the power and authority of the Companies to enter into this Amendment, and (c) receipt by Purchaser, in immediately available funds, of (i) Sixty Thousand Dollars (\$60,000) as an extension fee, and (ii) an amount equal to all other reasonable fees and expenses (including attorneys’ fees and expenses) incurred by Purchaser in connection with the preparation, negotiation and execution of this Amendment.

**Section 3. MISCELLANEOUS.**

(A) *Generally.* Sections 15 and 16 of the Warrant will apply to this Amendment as if the same were reproduced in this Amendment, *mutatis mutandis*.

(B) *Affirmation of Warrant.* The parties hereby affirm all provisions of the Warrant as amended by this Amendment.

(C) *Severability.* Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(D) *Counterparts; Electronic Signatures.* This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. The Parties agree that this Amendment shall be legally binding upon the electronic transmission, including by facsimile or email, by each Party of a signed signature page to this Amendment to the other Parties.

(E) *Full Force and Effect; No Obligation for Other Amendments.* Each of the Parties hereto confirms that this Amendment is intended to be a part of, and will serve as a valid, written amendment to, the Warrant. Except as otherwise set forth in this Amendment, this Amendment shall not, by implication or otherwise, alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Purchase Agreement, the Unconditional Secured Guaranty and Pledge Agreement, dated March 6, 2015, from DT USA to Purchaser, or any other instrument, document or agreement executed in connection therewith or referred to therein (collectively, the “**Documents**”), which are hereby ratified and affirmed in all respects and shall continue in full force and effect, and this Amendment will not operate as an extension or waiver by the parties to the Documents of any other condition, covenant, obligation, right, power or privilege under the Documents. This Amendment relates only to the specific matters covered herein, and shall not be considered to create a course of dealing or to otherwise obligate any party to the Documents to execute similar amendments or grant any waivers under the same or similar circumstances in the future.

***[Remainder of Page Intentionally Left Blank; Signature Page Follows]***

The parties hereto have executed this Amendment as of the date first written above.

DIGITAL TURBINE USA, INC.

By: /s/ Andrew Schleimer

Name: Andrew Schleimer

Title: CFO

NORTH ATLANTIC SBIC IV, L.P.

By: North Atlantic Investors SBIC IV, LLC,  
General Partner

By: /s/ David M. Coit

Name: David M. Coit

Title: Managing Director

[Signature Page to Third Amendment to Common Stock Purchase Warrant]

**FOURTH AMENDMENT TO COMMON STOCK PURCHASE WARRANT**

This Fourth Amendment to Common Stock Purchase Warrant (this “ **Amendment**”), dated as of July 15, 2016, is being entered into by and between Digital Turbine USA, Inc. (f/k/a Digital Turbine, Inc.), a Delaware corporation (the “**Company**”), and North Atlantic SBIC IV, L.P., a Delaware limited partnership (the “ **Registered Holder**”). Capitalized terms used in this Amendment without definition have the respective definitions ascribed to them in the Warrant (as defined below).

WHEREAS, the Company, Digital Turbine Media, Inc. (f/k/a Appia, Inc.) and the Registered Holder have executed and delivered that certain Securities Purchase Agreement, dated as of March 6, 2015 (as amended, the “**Purchase Agreement**”);

WHEREAS, the Company has issued its Common Stock Purchase Warrant to the Registered Holder on March 6, 2015 (the “**Original Warrant**”); the Original Warrant was amended by the Amendment to Common Stock Purchase Warrant, dated February 7, 2016, by the Second Amendment to Common Stock Purchase Warrant, dated May 6, 2016, and by the Third Amendment to Common Stock Purchase Warrant, dated June 15, 2016 (as the same may from time to time be further amended, modified, supplemented or restated, the “**Warrant**”); and

WHEREAS, the Company and the Registered Holder have agreed to further amend the Warrant as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**Section 1. AMENDMENT TO WARRANT.** The first sentence of Section 1 of the Warrant is hereby deleted in its entirety and replaced with the following:

This Warrant shall become fully vested on August 29, 2016 (the “ **Vesting Date**”) if, and only if, all interest, principal and other amounts owed to the Registered Holder pursuant to that certain Debenture issued by Appia on or about the date hereof (the “**Obligations**”) pursuant to the Purchase Agreement have not been paid in full on or before such Vesting Date.

**Section 1. EFFECTIVE DATE; CONDITIONS PRECEDENT.** This Amendment will become effective upon (a) its execution by the Parties, (b) evidence, as reasonably requested by Purchaser, of the due execution and delivery of this Amendment by the Company and the power and authority of the Company to enter into this Amendment, and (c) receipt by Purchaser, in immediately available funds, of (i) Seventy-Five Thousand Dollars (\$75,000) as an extension fee, and (ii) an amount equal to all other reasonable fees and expenses (including attorneys’ fees

and expenses) incurred by Purchaser in connection with the preparation, negotiation and execution of this Amendment.

**Section 2. MISCELLANEOUS.**

(A) *Generally.* Sections 15 and 16 of the Warrant will apply to this Amendment as if the same were reproduced in this Amendment, *mutatis mutandis*.

(B) *Affirmation of Warrant.* The parties hereby affirm all provisions of the Warrant as amended by this Amendment.

(C) *Severability.* Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(D) *Counterparts: Electronic Signatures.* This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. The Parties agree that this Amendment shall be legally binding upon the electronic transmission, including by facsimile or email, by each Party of a signed signature page to this Amendment to the other Parties.

(E) *Full Force and Effect; No Obligation for Other Amendments.* Each of the Parties hereto confirms that this Amendment is intended to be a part of, and will serve as a valid, written amendment to, the Warrant. Except as otherwise set forth in this Amendment, this Amendment shall not, by implication or otherwise, alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Purchase Agreement, the Unconditional Secured Guaranty and Pledge Agreement, dated March 6, 2015, from DT USA to Purchaser, or any other instrument, document or agreement executed in connection therewith or referred to therein (collectively, the “**Documents**”), which are hereby ratified and affirmed in all respects and shall continue in full force and effect, and this Amendment will not operate as an extension or waiver by the parties to the Documents of any other condition, covenant, obligation, right, power or privilege under the Documents. This Amendment relates only to the specific matters covered herein, and shall not be considered to create a course of dealing or to otherwise obligate any party to the Documents to execute similar amendments or grant any waivers under the same or similar circumstances in the future.

**[Remainder of Page Intentionally Left Blank; Signature Page Follows ]**

The parties hereto have executed this Amendment as of the date first written above.

DIGITAL TURBINE USA, INC.

By: /s/ Andrew Schleimer

Name: Andrew  
Schleimer  
Title: CFO

NORTH ATLANTIC SBIC IV, L.P.

By: North Atlantic Investors SBIC IV, LLC  
General Partner

By: /s/ David M. Coit

Name: David M. Coit  
Title: Managing  
Director

[Signature Page to Fourth Amendment to Common Stock Purchase Warrant]

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, William Stone, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;
2. Based on my knowledge, this quarterly 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: August 9, 2016

By: /s/William Stone

William Stone

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Andrew Schleimer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Digital Turbine, Inc.;
2. Based on my knowledge, this quarterly 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: August 9, 2016

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 Quarterly Report on Form 10-Q for the period ending June 30, 2016 of the Company (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

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 Quarterly Report on Form 10-Q for the period ending June 30, 2016 of the Company (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2016

By: /s/Andrew Schleimer

Andrew Schleimer  
Chief Financial Officer  
(Principal Financial Officer)