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

Form 10-K/A
(Amendment No. 1)

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

For the fiscal year ended March 31, 2016

Commission File Number: 001-35958

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

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

(512) 387-7717
(Issuer's Telephone Number, Including Area Code)

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

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

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

None
(Title of Class)

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

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	✶	Accelerated filer	☒
Non-Accelerated filer	✶	Smaller reporting company	✶

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold on the Nasdaq Capital Market on September 30, 2015 was $96,268,980.

As of July 20, 2016, the Company had 66,288,817 shares of its common stock, $0.0001 par value, per share outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-K/A (this “Amendment”) amends and restates the Annual Report on Form 10-K for the fiscal year ended March 31, 2016 (the “Original Filing”) of Digital Turbine, Inc., which was originally filed with the Securities and Exchange Commission (the “SEC”) on June 14, 2016. We are filing this Amendment to include (1) the information required by Items 10, 11, 12, 13 and 14 of Part III of the SEC’s Form 10-K not included in the Original Filing, and (2) to amend Item 9A and the certifications provided under Section 906 of the Sarbanes-Oxley Act of 2002 set forth in Exhibits 32.1 and 32.2 solely to correct a typographical error in the dates thereof. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment also includes as exhibits the certifications required of our principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002.

No attempt has been made with this Amendment to modify or update the other disclosures presented in the Original Filing, including the exhibits thereto, except as provided above and that we have updated the number of outstanding shares of our common stock on the cover page of this Amendment. This Amendment does not reflect events occurring after the filing of the Original Filing or modify or update the disclosure contained in the Original Filing in any way other than as required to reflect the amendments discussed above and reflected below. Accordingly, this Amendment should be read in conjunction with the Registrant’s other filings made with the SEC.

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 4 Pty Ltd (“DT APAC”), Digital Turbine Singapore Pte. Ltd. (“DT Singapore”), Digital Turbine Luxembourg S.a.r.l. (“DT Luxembourg”), Digital Turbine Germany, GmbH (“DT Germany”), and Digital Turbine Media, Inc. (“DT Media”). We refer to Appia, Inc., a company we acquired on March 6, 2015, as “DT Media.”

Digital Turbine, Inc.

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PART I

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

Information included in this Annual Report on Form 10-K (the "Form 10-K") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We claim the protection of the safe harbor contained in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts included in this Form 10-K regarding our strategy, future operations, future financial position, projected expenses, prospects and plans and objectives of management are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from our future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend," "future," "plan," or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are based on assumptions that may be incorrect, and there can be no assurance that any projections or other expectations included in any forward-looking statements will come to pass. Our actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including, but not limited to:

- a decline in general economic conditions nationally and internationally;
- decreased market demand for our products and services;
- market acceptance and brand awareness of our products;
- the ability to protect our intellectual property rights;
- impact of any litigation or infringement actions brought against us;
- competition from other providers and products based on pricing and other activities;
- risks and costs in product development;
- the potential for unforeseen or underestimated cash requirements or liabilities;
- ability to comply with financial covenants in outstanding indebtedness;
- risks associated with adoption of our products among existing customers (including the impact of possible delays with major carrier and OEM partners in the roll out for mobile phones deploying our products);
- the impact of currency exchange rate fluctuations on our reported GAAP financial statements, particularly in regard to the Australian dollar;
- the challenges, given the Company's comparatively small size, to expand the combined Company's global reach, accelerate growth and create a scalable, low-capex business model that drives EBITDA (as well as Adjusted EBITDA);
- the Company's ability given the Company's limited resources to identify and consummate acquisitions and successful integration of acquired businesses;
- varying and often unpredictable levels of orders;
- the challenges inherent in technology development necessary to maintain the Company's competitive advantage such as adherence to release schedules and the costs and time required for finalization and gaining market acceptance in new products;
- technology management risk as the Company needs to adapt to complex specifications of different carriers and the management of a complex technology platform given the Company's relatively limited resources;
- new customer adoption and time to revenue with new carrier and OEM partners is subject to delays and factors out of our control;
- inability to raise capital to fund continuing operations;
- changes in government regulation;
- volatility in the price of our common stock and ability to satisfy exchange continued listing requirements;
- rapid and complex changes occurring in the mobile marketplace, and
- other risks described in the risk factors in Item 1A of this Form 10-K under the heading "Risk Factors."

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, our actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned. Except as required by applicable law, we do not undertake any obligation to update any forward-looking statements made in this Annual Report. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on known results and trends at the time they are made, to anticipate future results or trends.

Unless the context otherwise indicates, the use of the terms "we," "our", "us", "Digital Turbine", "DT", or the "Company" refer to the collective business and operations of Digital Turbine, Inc. through its operating and wholly-owned subsidiaries, Digital Turbine USA, Inc. ("DT USA"), Digital Turbine (EMEA) Ltd. ("DT EMEA"), Digital Turbine Australia

Pty Ltd ("DT APAC"), Digital Turbine Singapore Pte. Ltd. ("DT Singapore"), Digital Turbine Luxembourg S.a.r.l. ("DT Luxembourg"), Digital Turbine Germany, GmbH ("DT Germany"), and Digital Turbine Media, Inc. ("DT Media"). We refer to Appia, Inc., a company we acquired on March 6, 2015, as "DT Media."

ITEM 1. BUSINESS

Current Operations

Digital Turbine, through its subsidiaries, innovates at the convergence of media and mobile communications, delivering end-to-end products and solutions for mobile operators, 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, Berlin, San Francisco Singapore, Sydney and Tel Aviv, Digital Turbine's solutions are available worldwide.

Information about Segment and Geographic Revenue

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

The Company manages its business in three operating segments: Operators and OEMs, Advertisers and Publishers, and Content. The three operating segments have been aggregated into two reportable segments: Advertising and Content. Information about segment and geographic revenue is set forth in Note 17 to our consolidated financial statements under Item 8 of this Annual Report.

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 original equipment manufacturers ("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 lifecycle 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.

Competition

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

Our primary competition for application and content distribution comes from the traditional application store businesses of Apple and Google, existing operator solutions built internally, as well as companies providing app install products and services as offered by Facebook, Snapchat, IronSource, InMobi, Cheetah Mobile, Baidu, Taptica, and others. These companies can be both customers and publishers for Digital Turbines products, as well as competitors in certain cases. For the Discover product, there is some competition in the space by home grown operator solutions, Quixey, and Aviate, but our main competitors are OEM launchers and Android launchers, which allow customers to customize their handset. With Ignite, we compete with smaller competitors, such as IronSource, Wild Tangent, and Sweet Labs, but the more material competition is internally developed operator solutions and specific mobile application management solutions built in-house by OEMs and wireless operators. Some of our existing wireless operators could make a strategic decision to develop their own solutions rather than continue to use our Discover and Ignite products, which could be a material source of competition. And finally, although we don’t see any competition from larger Enterprise application players such as IBM, Citrix, Oracle, salesforce.com, or MobileIron, it is possible they could decide to compete against our Ignite solution.

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

Discover is a recommendation server that provides organic and sponsored application install recommendations. The Discover front-end has different User Experience and User Interfaces that enables different customers to search and discover content from various sources. We compete in this product range with traditional search engines such as Google, Yahoo, Android and manufacturers to launcher applications.

Within our A&P group that 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. A&P accesses mobile ad inventory through publishers including direct developer relationships, mobile websites, carriers and mediated relationships. We compete in this product range with traditional mobile advertising networks to multimedia advertising companies seeking more efficient means to distribute content to end users including Facebook, Twitter, and Google, as well as in-house solutions used by companies who choose to coordinate mobile advertising across their own properties, such as Yahoo! Pandora, and other independent publishers.

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, eBooks, and games. Competitors in these two areas include Google Play and the Apple App store.

Pay is an API that integrates between mobile operators billing infrastructure and content publishers to facilitate mobile commerce. Pay allows the publishers and the operators to monetize those applications by allowing the content to be billed directly to the consumer via the operator bill. Some competitors to the Pay product are Google Wallet, Facebook Messenger, Amazon, Android Pay, Bango, Fortumo, and home grown operator solutions.

Product Development and Research & Development

Our product development expenses consist primarily of salaries and benefits for employees working on campaign management, creating, developing, editing, programming, performing quality assurance, obtaining carrier certification and deploying our products across various mobile phone carriers and on our internal platforms. We devote substantial resources to the development, technology support, and quality assurance of our products. Total product development costs incurred for the years ended March 31, 2016, 2015, 2014 were $11.0 million, $7.9 million, and 7.9 million, respectively. The amount spent on research and development activities for the years ended March 31, 2016, 2015, 2014 were 1.1 million, 0.7 million, and 0.5 million, respectively.

Contracts with Customers

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

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

One major carrier customer in our Content business accounted for 26.1% of our consolidated net revenues for the year ended March 31, 2016, and this major carrier customer and another major carrier customer in our Content business accounted for 50.6% and 11.1% of our consolidated net revenues for the year ended March 31, 2015. For the year ended March 31, 2014, the two previously mentioned major customers and a third major customer represented 45.8%, 22.2%, and 10.5% of our consolidated net revenues.

Business Seasonality

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

Employees

As of March 31, 2016, the Company, including its subsidiaries, had 161 employees, 151 of whom were full-time and 10 of whom were part-time. We consider our relationships with our employees to be satisfactory. As of March 31, 2016, none of our employees are covered by a collective bargaining agreement. The Company also uses a number of contractors on an as needed basis.

History of Digital Turbine, Inc.

The Company was originally incorporated in the State of Delaware on November 6, 1998 and operated under operated under several different company names including eB2B, Mediavest, Inc., Mandalay Media, Inc., NeuMedia, Inc., and Mandalay Digital Group, Inc. In January 2015, the Company changed its name to Digital Turbine, Inc. and its NASDAQ ticker symbol to “APPS” with a new CUSIP number of 25400W-102. In 2012, the Company increased its authorized shares of common stock and preferred stock to 200,000,000 and 2,000,000, respectively, and in 2013 the Company implemented a 1-for-5 reverse stock split of its common stock (without changing the authorized number of shares or the par value of common stock).

From 2005 to February 12, 2008, the Company was a public shell company with no operations. Throughout the years, the Company has made several acquisitions, such as (1) the acquisition in December 2011 by its wholly-owned subsidiary, Digital Turbine USA, Inc., of assets of Digital Turbine LLC, which were re-branded as “Discover,” (2) the acquisition in September 2012 by DT EMEA of ” Logia Content Development and Management Ltd. (“Logia Content”), Volas Entertainment Ltd. (“Volas”) and Mail Bit Logia (2008) Ltd. (“Mail Bit”), including the “LogiaDeck” software which has been rebranded as “DT Ignite,” (3) the acquisition in April 2013 of Mirror Image International Holdings Pty Ltd, and (4) the acquisition in October 2014 of the intellectual property assets of Xyologic Mobile Analysis, GmbH ("XYO" or "Xyologic). In February 2014, the Company disposed of its wholly-owned subsidiary, Twistbox Entertainment, Inc. (“Twistbox”), and as such, it is no longer reflected as part of our continuing operations in this Report. In March 2015, the Company, through its wholly-owned subsidiary, acquired Appia, Inc., which was renamed Digital Turbine Media, Inc. and which is referred to in this Form 10-K and the consolidated financial statements as “DT Media.”

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at http://www.digitalturbine.com generally when such reports are available on the Securities and Exchange Commission (“SEC”) website. The contents of our website are not incorporated into this Annual Report on Form 10-K.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov.

ITEM 1A. RISK FACTORS

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

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

Risks Related to Our Business

General Risks

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

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

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

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

Evaluation of our business and our prospects must be considered in light of our limited operating history and the risks and uncertainties encountered by companies in our stage of development. As an early stage company in the emerging mobile application and content entertainment industry, we face increased risks, uncertainties, expenses and difficulties. To address these risks and uncertainties, we must do the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

- inadequate network infrastructure to support advanced features beyond just mobile web access;
- users' concerns about the security of these devices;
- inconsistent quality of cellular or wireless connection;
- unavailability of cost-effective, high-speed Internet service; and
- changes in network carrier pricing plans that charge device users based on the amount of data consumed.
- new technology which is not compatible with our products and offerings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing;
- violating a financial covenant, resulting in the indebtedness to be paid back immediately and thus negatively impacting our liquidity;
- requiring additional financial covenant measurement consents or default waivers without enhanced financial performance in the short term;
- requiring the use of a substantial portion of any cash flow from operations to service indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;
- limiting the Company's flexibility in planning for, or reacting to, changes in the Company's business and the industry in which it competes, including by virtue of the requirement that the Company remain in compliance with certain negative operating covenants included in the credit arrangements under which the Company will be obligated as well as meeting certain reporting requirements; and
- placing the Company at a possible competitive disadvantage to less leveraged competitors that are larger and may have better access to capital resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- business consolidations;
- revenue recognition;
- leases;
- stock-based compensation;
- disclosure of uncertainties about an entity's ability to continue as a going concern; and
- accounting for goodwill and other intangible assets.

Changes in these or other rules may have a significant adverse effect on our reported financial results, disclosures, or in the way in which we conduct our business. See the discussion in "Summary of Significant Accounting Policies" set forth in Note 4 to our consolidated financial statements under Item 8 of this Annual Report, for additional information about our accounting policies and estimates and associated risks.

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

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

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

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

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

We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill for impairment at least annually or sooner if an indicator of impairment is present. If such goodwill or intangible assets are deemed impaired, an impairment loss would be recognized. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which would negatively affect our results of operations.

Advertising and Content Risks

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

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

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

A significant portion of our revenue is impacted by the level of advertising spend and our ability to sign up publishers for our advertising business. If we are unable to sign up and retain publishers and advertising spend is lower than our expectations -- a factor over which we have no control as we do not determine our customers' advertising budgets -- our revenues will be impacted negatively, and this impact may be significant.

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

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

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

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

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

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

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

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

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

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

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

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

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

- the carrier or OEM's preference for our competitors' products and services rather than ours;
- the carrier or OEM's decision not to include or highlight our products and services on the deck of its mobile handsets;
- the carrier or OEM's decision to discontinue the sale of some or all of products and services;
- the carrier's decision to offer similar products and services to its subscribers without charge or at reduced prices;
- the carrier or OEM's decision to require market development funds from publishers;
- the carrier or OEM's decision to restrict or alter subscription or other terms for downloading our products and services;
- a failure of the carrier or OEM's merchandising, provisioning or billing systems;
- the carrier or OEM's decision to offer its own competing products and services;
- the carrier or OEM's decision to transition to different platforms and revenue models; and
- consolidation among carriers or OEMs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Market

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The strategic direction of the Company's businesses is in early stages and not completely proven or certain.

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

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

Risks Relating to Our Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Management, Employees and Acquisitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We completed the acquisition of XYO and Appia, Inc. in fiscal 2015, and we continue to evaluate potential acquisitions, or joint ventures with third parties. These transactions create risks such as:

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

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

Risks Related to the Economy in the United States and Globally

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

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

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

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

- challenges caused by distance, language and cultural differences;
- multiple and conflicting laws and regulations, including complications due to unexpected changes in these laws and regulations;
- the burdens of complying with a wide variety of foreign laws and regulations;
- higher costs associated with doing business internationally;
- difficulties in staffing and managing international operations;
- greater fluctuations in sales to end users and through carriers in developing countries, including longer payment cycles and greater difficulty collecting accounts receivable;
- protectionist laws and business practices that favor local businesses in some countries;
- foreign tax consequences;
- foreign exchange controls that might prevent us from repatriating income earned in countries outside the United States;
- price

controls;

- the servicing of regions by many different carriers;
- imposition of public sector controls;
- political, economic and social instability, including relating to the current European sovereign debt crisis;
- restrictions on the export or import of technology;
- trade and tariff restrictions;
- variations in tariffs, quotas, taxes and other market barriers; and
- difficulties in enforcing intellectual property rights in countries other than the United States.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Litigation may harm our business.

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

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

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

We face risks associated with currency exchange rate fluctuations.

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

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

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

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

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

Risks Relating to Our Common Stock

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

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

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

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

If we fail to comply with the continued listing requirements of the NASDAQ Capital Market, our common stock may be delisted and the price of our common stock and our ability to access the capital markets could be negatively impacted.

Our common stock is listed for trading on the NASDAQ Capital Market ("NADSAQ"). We must satisfy NASDAQ's continued listing requirements, including, among other things, a minimum closing bid price requirement of $1.00 per share for 30 consecutive business days. If a company trades for 30 consecutive business days below the $1.00 minimum closing bid price requirement, NASDAQ will send a deficiency notice to the company, advising that it has been afforded a "compliance period" of 180 calendar days to regain compliance with the applicable requirements. Thereafter, if such a company does not regain compliance with the bid price requirement, a second 180-day compliance period may be available.

A delisting of our common stock from NADSAQ could materially reduce the liquidity of our common stock and result in a corresponding material reduction in the price of our common stock. In addition, delisting could harm our ability to raise capital through alternative financing sources on terms acceptable to us, or at all, and may result in the potential loss of confidence by investors, employees and fewer business development opportunities.

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

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

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

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

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

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

We do not anticipate paying dividends.

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

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

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. In addition, Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, requires us to evaluate and report on our internal control over financial reporting. Our management concluded that our internal controls over financial reporting were ineffective as of March 31, 2016; refer to Item 9A of this 10K for more information about management's assessment of internal controls. We are in the process of strengthening and testing our system of internal controls. The process of implementing our internal controls and complying with Section 404 is expensive and time consuming and requires significant attention of management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we conclude that our internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we discover a material weakness or a significant deficiency in our internal control, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. In addition, if we fail to comply with the applicable portions of Section 404, we could be subject to a variety of administrative sanctions, including ineligibility for short form resale registration, action by the SEC, and the inability of registered brokerdealers to make a market in our common stock, which could further reduce our stock price and harm our business. Refer to Item 9A of this 10K for more information about management's assessment of internal controls.

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The principal offices of Digital Turbine, Inc. are located at 1300 Guadalupe Street, Suite 302, Austin, Texas 78701. Digital Turbine also leased property in Los Angeles, California, which were closed on May 31, 2015 as part of the Company's headquarter relocation move to Austin, Texas. Digital Turbine also leases property in Durham, North Carolina through its wholly-owned subsidiary, DT Media, and internationally in Australia, Israel, and Germany through its wholly-owned subsidiaries, Digital Turbine Group Pty Ltd, DT EMEA Ltd, and Digital Turbine Germany GmbH.

ITEM 3. LEGAL PROCEEDINGS

The information required by this Item 3 is incorporated herein by reference to the information set forth under the caption "Legal Matters" in Note 18 of the Notes to the Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

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

Market Information

As of June 8, 2016, the closing price of our common stock was $1.08. Our common stock is traded on the NASDAQ Capital Market under the symbol "APPS." The following table sets forth the range of high and low closing sales prices reported on the NASDAQ Capital Market for our common stock for the following periods:

	High	Low
Fiscal Year Ended March 31, 2016		
First quarter	$ 4.28	$ 3.02
Second quarter	$ 2.96	$ 1.71
Third quarter	$ 1.92	$ 1.25
Fourth quarter	$ 1.39	$ 0.99
Fiscal Year Ended March 31, 2015		
First quarter	$ 4.12	$ 3.24
Second quarter	$ 5.89	$ 3.16
Third quarter	$ 4.45	$ 2.99
Fourth quarter	$ 4.09	$ 2.79

Holders

As of May 30, 2016, there were 2,559 holders of record of our common stock. There were also an undetermined number of holders who hold their stock in nominee or "street" name.

Dividends

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

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

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

The 2011 Plan provides for grants of stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units (sometimes referred to individually or collectively as "Awards") to our and our subsidiaries' officers, employees, non-employee directors and consultants. 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"). On September 10, 2012, the Company increased the 2011 Plan shares available for issuance from 4,000,000 to 20,000,000, of which 11,886,707 remain available for issuance as of March 31, 2016.

Equity Compensation Plan Information

The following table sets forth information concerning our 2007 Employee, Director and Consultant Stock Plan, our Amended and Restated 2011 Equity Incentive Plan, our Appia, Inc. 2008 Stock Incentive Plan and individual compensation arrangements with employees or consultants of the Company as of March 31, 2016.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)		Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plan approved by security holders				
Amended and Restated 2011 Equity Incentive Plan	6,963,590	$	2.85	11,886,707
2007 Employee, Director and Consultant Stock Plan	719,670	$	11.58	—
Appia, Inc. 2008 Stock Incentive Plan	161,135	$	0.63	—
Equity compensation plans not approved by security holders	—		—	—
Total	7,844,395			11,886,707

Recent Sale of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchaser

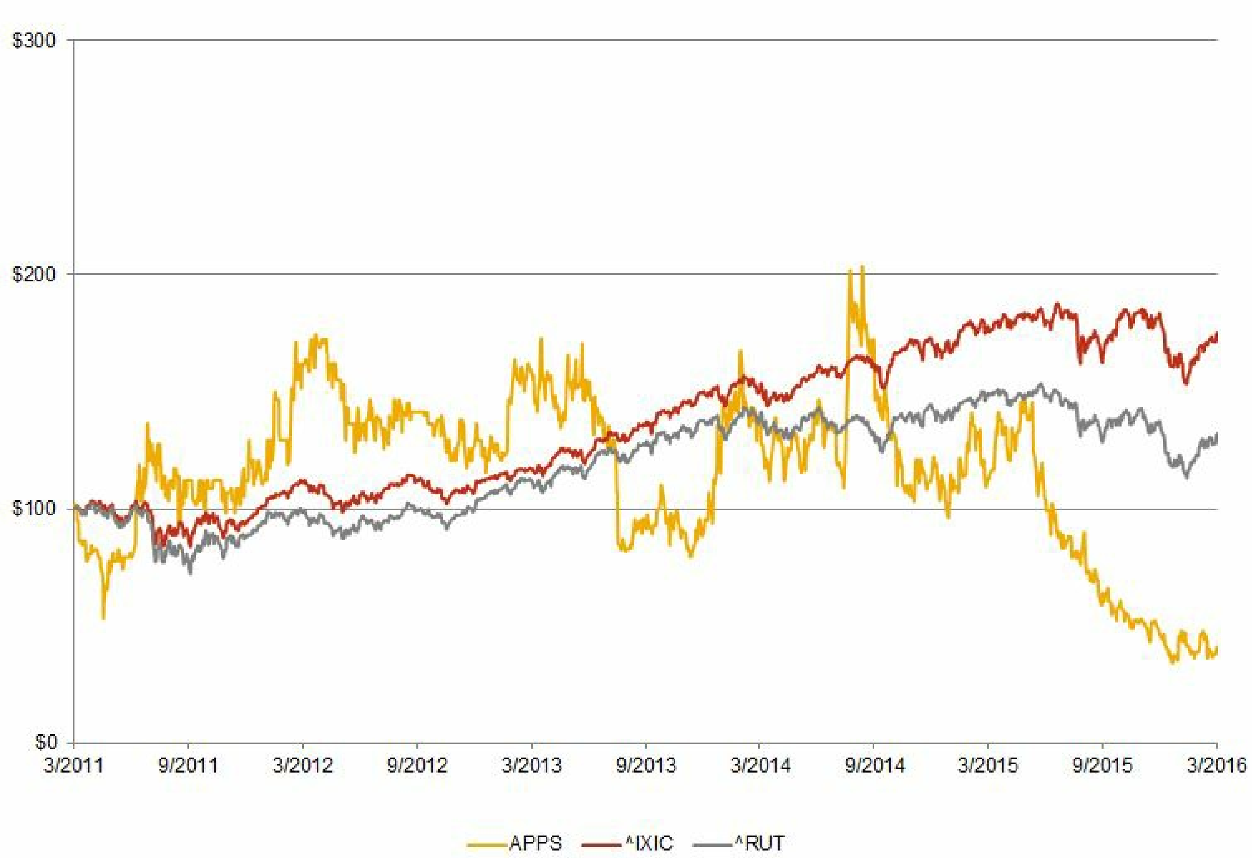
There were no purchases of equity securities by us during the year ended March 31, 2016.

Performance Graph

This performance graph shall not be deemed ‘‘soliciting material’’ or to be ‘‘filed’’ with the SEC for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under Section 18, and shall not be deemed to be incorporated by reference into any filing of ours under the Securities Act of 1933, as amended.

The graph set forth below compares the cumulative total stockholder return on an initial investment of $100 in our common stock between March 31, 2011 and March 31, 2016, with the comparative cumulative total return of such amount on (i) the NASDAQ Composite Index (IXIC), and (ii) the Russell 2000 Index (RUT) over the same period. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation (depreciation) and not upon reinvestment of cash dividends. The comparisons shown in the graph below are based upon historical data. We caution that the stock price performance shown in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock.

COMPARISON OF CUMULATIVE TOTAL RETURN



ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation," and our consolidated financial statements and the related notes included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K.

The consolidated statements of operations data for each of the three years ended March 31, 2016, 2015, and 2014 and the consolidated balance sheet data as of March 31, 2016 and 2015 are derived from and qualified by reference to our audited consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Annual Report on Form 10-K. The consolidated statements of operations data for the two years ended March 31, 2013 and 2012 and the consolidated balance sheet data as of March 31, 2014, 2013, and 2012 are derived from our audited financial statements not included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of our results in any future period.

It is important to note that the table below excludes the operations of Twistbox in all periods presented as the Company disposed of the Twistbox subsidiary on February 13, 2014, and as such, it is no longer reflected as part of our continuing operations in this Report. Other notable business acquisitions made by the Company over the periods presented in the table below include the acquisition which closed on April 12, 2013, where through its indirect, wholly-owned subsidiary organized under the laws of Australia, Digital Turbine Group Pty Ltd ("DT APAC"), acquired Mirror Image International Holdings Pty Ltd ("MIAH"), and the acquisition which closed on March 6, 2015, where the Company completed the acquisition of Appia, Inc. Appia was acquired into the Company's wholly-owned subsidiary DTM Merger Sub, Inc., which was renamed to Digital Turbine Media, Inc. and referred to in this Form 10-K and the consolidated financial statements as DT Media. For further information see Part I, Item 1, "Business" under the heading "History of Digital Turbine, Inc." of this Annual Report on Form 10-K.

	Year Ended March 31,									
	2016		2015		2014		2013		2012	
	(in thousands, except per share amounts)									
Results of Operations										
Net revenues	$	86,541	$	28,252	$	24,404	$	3,885	$	1,402
Loss from operations		(25,936)		(23,737)		(15,524)		(11,029)		(10,952)
Net loss from continuing operations, net of taxes		(28,032)		(24,647)		(17,202)		(12,658)		(22,161)
Basic and diluted net loss per common share from continuing operations		(0.46)		(0.63)		(0.63)		(0.72)	$	(2.24)
Weighted-average common shares outstanding from continuing operations, basic and diluted		61,763		38,967		27,478		17,631		9,884
Balance Sheet Data										
Cash and cash equivalents	$	11,231	$	7,069	$	21,805	$	1,149	$	8,746
Working capital (deficit)		(9,308)		(3,678)		15,575		(5,663)		3,966
Total assets	$	122,068	$	122,571	$	45,095	$	12,485	$	11,642
Long-term obligations		815		7,090		238		2,093		2,524
Total stockholders' equity		82,271		91,529		32,951		737		4,061

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

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

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 by providing services in the Advertising and Content space.

The Company has grown through several recent acquisitions, which are relevant to understanding the Company’s current business. The Company acquired Xyologic and Appia, Inc. in fiscal 2015. The Xyologic acquisition was key to developing Discover, which is a product that provides application install recommendations. DT Media (formerly Appia, Inc.) provides the Company with a mobile user acquisition network, which allows mobile advertisers to engage with the right customers for their applications.

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,
    - Discover, an intelligent application discovery platform,

- A&P, a leading worldwide mobile user acquisition network which is comprised of services including:
  - Syndicated network
  - 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.

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

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, SDK, or Direct through Discover. Optional notification features are available throughout the lifecycle 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 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.

All discussions in this Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations.

RESULTS OF OPERATIONS

Below are our revenues, cost of revenues, and expenses for fiscal 2016, 2015, and 2014. This information should be read in conjunction with our Consolidated Financial Statements and notes thereto. All financial results of operations during the year ended March 31, 2015 do not include Appia, Inc. financial results, other than the 26 days in March 2015 after the Company acquired Appia, Inc., as the acquisition did not close until March 6, 2015.

	Years Ended		% of Change	Years Ended		% of Change
	March 31, 2016	March 31, 2015		March 31, 2015	March 31, 2014	
	(in thousands, except per share amounts)			(in thousands, except per share amounts)		
Net revenues	$ 86,541	$ 28,252	206.3 %	$ 28,252	$ 24,404	15.8 %
License fees and revenue share	66,185	20,110	229.1 %	20,110	14,789	36.0 %
Other direct cost of revenues	10,537	2,010	424.2 %	2,010	1,769	13.6 %
Gross profit	9,819	6,132	60.1 %	6,132	7,846	(21.8)%
Total operating expenses	35,755	29,869	19.7 %	29,869	23,370	27.8 %
Loss from operations	(25,936)	(23,737)	9.3 %	(23,737)	(15,524)	52.9 %
Interest expense, net	(1,816)	(234)	676.1 %	(234)	(1,407)	(83.4)%
Foreign exchange transaction gain / (loss)	(29)	32	(190.6)%	32	33	(3.0)%
Change in fair value of warrant derivative liabilities loss	—	—	— %	—	(811)	(100.0)%
Loss on extinguishment of debt	—	—	— %	—	(442)	(100.0)%
Gain / (loss) on settlement of debt	—	(9)	(100.0)%	(9)	74	(112.2)%
Gain / (loss) on disposal of fixed assets	(37)	2	(1,950.0)%	2	—	100.0 %
Gain on change in valuation of long-term contingent liability	—	—	— %	—	603	(100.0)%
Other income	—	46	(100.0)%	46	—	100.0 %
Loss from operations before income taxes	(27,818)	(23,900)	16.4 %	(23,900)	(17,474)	36.8 %
Income tax provision / (benefit)	214	747	(71.4)%	747	(272)	(374.6)%
Net loss from continuing operations, net of taxes	$ (28,032)	$ (24,647)	13.7 %	$ (24,647)	$ (17,202)	43.3 %
Basic and diluted net loss per common share	$ (0.46)	$ (0.63)	(27.0)%	$ (0.63)	$ (0.68)	(7.4)%
Weighted-average common shares outstanding, basic and diluted	61,763	38,967	58.5 %	38,967	27,478	41.8 %

Comparison of the Years Ended March 31, 2016, 2015, and 2014

Revenues

	Year Ended March 31,		% of Change	Year Ended March 31,		% of Change
	2016	2015		2015	2014	
	(in thousands)			(in thousands)		
Revenues by type:						
Content	$ 28,765	$ 22,009	30.7%	$ 22,009	$ 23,635	(6.9)%
Advertising	57,776	6,243	825.5%	6,243	769	711.8 %
Total	$ 86,541	$ 28,252	206.3%	$ 28,252	$ 24,404	15.8 %

Fiscal 2016 Compared to Fiscal 2015

During the year ended March 31, 2016 there was an approximately $58,289 or 206% increase in overall revenue, as compared to the year ended March 31, 2015. During fiscal 2016, as compared to fiscal 2015, the Company experienced growth in both the Content and Advertising businesses, with the Advertising growth stemming from both organic growth in Ignite and inorganic growth with a full year of A&P revenue as opposed to only 26 days of A&P revenue in fiscal 2015. Organic growth in Advertising was driven primarily by CPI and CPP revenue from new Advertising partners across two major US carrier distribution partners, and amounts earned from carrier partners related to software customization and integration. The increase in the Content business was driven primarily from growth in Pay, with overall increased demand for the product, the service being launched with new customers in Australia, as well as new Content services provided in new markets in Southeast Asia.

Overall revenue growth year-over-year was offset by a moderate decline in Marketplace as our contract in Israel was terminated during the quarterly period ended June 30, 2015. Additionally, the growth was further offset by continued decline in the foreign exchange rate of the Australian dollar to the United States dollar.

Fiscal 2015 Compared to Fiscal 2014

During the year ended March 31, 2015, there was an approximately $3,848 or 15.8% increase in overall revenue, as compared to the year ended March 31, 2014. During fiscal 2015, as compared to fiscal 2014, the Company experienced growth in the Advertising business and a moderate decline in the Content business, with the Advertising growth stemming from both organic growth in Ignite and inorganic growth with 26 days of A&P revenue in fiscal 2015. Organic growth in Advertising was driven primarily by CPI and CPP revenue from new advertising partners across commercial deployments of Ignite with new carrier partners, amounts earned from the Company’s carrier partners relating to sharing of costs of software customization and integration prior to device launch.

Overall revenue growth year-over-year was offset by a moderate decline in the Content business year-over-year driven primarily by a decrease in Marketplace in the first half of the fiscal year as our contract in Israel was terminated during the quarterly period ended June 30, 2015. The decline in Marketplace was partially mitigated by increased billing revenue as a result of new Pay customers.

Gross Margins

During fiscal 2016 the company changed its methodology for how hosting expense included in cost of revenues 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 of the Advertising and Content segments. Hosting expenses included in costs of sales in fiscal 2015 and 2014 were previously allocated between the Advertising and Content segments based on geographic location as the specific locations generally related only to either the Advertising or Content segment. Hosting expense included in cost of revenues 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 and 2014 figures presented have been updated to reflect these changes and are comparable to the fiscal 2016 figures presented.

	Year Ended March 31,			Year Ended March 31,		
	2016	2015	% of Change	2015	2014	% of Change
	(in thousands)			(in thousands)		
Gross margin by type:						
Content gross margin $	$ 1,231	$ 4,272	(71.2)%	$ 4,272	$ 7,083	(39.7)%
Content gross margin %	4.3%	19.4%		19.4%	30.0%	
Advertising gross margin $	$ 8,588	$ 1,860	361.7 %	$ 1,860	$ 763	143.8 %
Advertising gross margin %	14.9%	29.8%		29.8%	99.2%	
Total gross margin $	$ 9,819	$ 6,132	60.1 %	$ 6,132	$ 7,846	(21.8)%
Total gross margin %	11.3%	21.7%		21.7%	32.2%	

Fiscal 2016 Compared to Fiscal 2015

Total gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles) was approximately $9,819 or 11.3% for the year ended March 31, 2016, versus approximately $6,132 or 21.7% for the year ended March 31, 2015. The increase in gross margin dollars from $6,132 to $9,819 is primarily attributable to the inclusion of a full year of A&P operations during fiscal 2016 as opposed to only 26 days of A&P operations in fiscal 2015, offset by increased amortization expense associated with the Appia, Inc. acquisition. Overall gross margin percentage has declined with the mix shift within Content from Marketplace to Pay coupled with the acquired Appia, Inc. A&P business which carries a significantly lower gross margin as compared to the O&O business within Advertising.

Total gross margin dollars, inclusive of the impact of other direct cost of revenues (amortization of intangibles), increased $3,687 or 60.1%, from $6,132 to $9,819 during the year ended March 31, 2015 and 2016, respectively. This increase includes the impact of an approximate $2,400 accelerated amortization expense related to customer relationship intangible assets associated with customer terminations related to our DT EMEA Content business. Excluding the effects of the approximately $2,400 amortization, total gross margin dollars would have been $12,219 or 14.1% during the year ended March 31, 2016, which is an increase of approximately $6,087 or 99.3% from the year ended March 31, 2015. This increase is due primarily to gross margin dollars attributable to the inclusion of a full year of A&P operations during fiscal 2016 as opposed to only 26 days of A&P operations in fiscal 2015.

Content gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles), was approximately $1,231 or 4.3% for the year ended March 31, 2016, versus approximately $4,272 or 19.4% for the year ended March 31, 2015. Excluding the effects of the $2,400 amortization expense, Content gross margin dollars and percentage would have been $3,631 or 12.6% during the year ended March 31, 2016, which is a decrease in gross margin dollars of approximately $641 or 15.0% from the year ended March 31, 2015. This decrease in Content gross margin dollars and 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 II Item 7 – 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 $8,588 or 14.9% for the year ended March 31, 2016, versus approximately $1,860 or 29.8% for the year ended March 31, 2015. The increase in advertising gross margin dollars was primarily attributable to the inclusion of a full year of A&P operations during fiscal 2016 as opposed to only 26 days of A&P operations in fiscal 2015. This increase in gross margin dollars was offset by the increase in amortization expense associated with the Appia Inc. acquisition. Appia Inc. acquisition-related amortization expense for the year ended March 31, 2016 and March 31, 2015 was approximately $6,995 and $495, respectively, an increase of approximately $6,500 or 1,313.1%. Overall Advertising gross margin percentage has declined as the acquired Appia, Inc. A&P business carries a significantly lower gross margin as compared to the O&O business within Advertising. For more details on the Company's services included in the Advertising segment, see PART II Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations, section titled "Revenue by Service Category".

Fiscal 2015 Compared to Fiscal 2014

Total gross margin, inclusive of the impact of other direct cost of revenues (amortization of intangibles) was approximately $6,132 or 21.7% for the year ended March 31, 2015, versus approximately $7,846 or 32.2% for the year ended March 31, 2014. The decrease in gross margin year-over-year is primarily attributable to the Content business being adversely impacted by a mix shift from Marketplace to Pay, which carries a lower gross margin, offset by an increase in Advertising gross margin dollars attributable to the inclusion of 26 days of A&P operations during fiscal 2015. Total gross margin was further decreased year-over-year by increased amortization expense associated with the Appia acquisition during fiscal 2015. For more details on the Company's services included in the Advertising and Content segments, see Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations relate to continuing operations, section titled "Revenue by Service Category".

Operating Expenses

	Year Ended March 31,		% of Change	Year Ended March 31,		% of Change
	2016	2015		2015	2014	
	(in thousands)			(in thousands)		
Product development	$ 10,983	$ 7,905	38.9 %	$ 7,905	$ 7,869	0.5%
Sales and marketing	6,067	2,933	106.9 %	2,933	1,915	53.2%
General and administrative	18,705	19,031	(1.7)%	19,031	13,586	40.1%
Total operating expenses	$ 35,755	$ 29,869	19.7 %	$ 29,869	$ 23,370	27.8%

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. Sales and marketing expenses have increased with bringing products to market and with the inclusion of the Appia Inc. acquired A&P business. The increase in sales and marketing expenses is also attributable to increased commissions associated with the sales team generating more revenue through new and existing advertising relationships.

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.

Fiscal 2016 Compared to Fiscal 2015

Total operating expenses for the year ended March 31, 2016 and March 31, 2015 were approximately $35,755 and $29,869, respectively, an increase of approximately $5,886 or 19.7%. The increase in operating expenses year-over-year was primarily attributable to the inclusion of a full year of A&P operations during fiscal 2016 as opposed to only 26 days of A&P operations in fiscal 2015. The additional A&P operating expenses are related to product and marketing headcount directly related to the Advertising business.

Product development expenses for the year ended March 31, 2016 and March 31, 2015 were approximately $10,983 and $7,905, respectively, an increase of approximately $3,078 or 38.9%. The increase in product development expenses year-over-year was primarily attributable to the Company's investment in offices in Israel, Germany and Singapore contributed to the increase in product development expenses through additional headcount being added in those regions.

Sales and marketing expenses for the year ended March 31, 2016 and March 31, 2015 were approximately $6,067 and $2,933, respectively, an increase of approximately $3,134 or 106.9%. The increase in sales and marketing expenses year-over-year was primarily attributable to the inclusion of a full year of A&P operations during fiscal 2016 as opposed to only 26 days of A&P operations in fiscal 2015, due in part by increased commissions associated with the sales team generating more revenue through new and existing advertising relationships.

General and administrative expenses for the year ended March 31, 2016 and March 31, 2015 were approximately $18,705 and $19,031, respectively, a decrease of approximately $326 or 1.7%. The decrease in general and administrative expenses year-over-year includes a decrease in total stock compensation expense of $378 from $6,340 to $5,962, for the years ended March 31, 2015 and 2016, respectively.

Fiscal 2015 Compared to Fiscal 2014

Total operating expenses for the year ended March 31, 2015 and March 31, 2014 were approximately $29,869 and $23,370, respectively, an increase of approximately $6,499 or 27.8%. The increase in operating expenses year-over-year was primarily attributable to the inclusion of 26 days of A&P operations in fiscal 2015, investment in new offices in Germany and Singapore, transaction costs related to the acquisitions of XYO and Appia, Inc., as well as an increase in stock-based compensation.

Product development expenses for the year ended March 31, 2015 and March 31, 2014 were approximately $7,905 and $7,869, respectively, an increase of approximately $36 or 0.5%. The increase in product development expenses year-over-year was primarily attributable to the inclusion of 26 days of A&P operations in fiscal 2015.

Sales and marketing expenses for the year ended March 31, 2015 and March 31, 2014 were approximately $2,933 and $1,915, respectively, an increase of approximately $1,018 or 53.2%. The increase in sales and marketing expenses year-over-year was primarily attributable to the inclusion of 26 days of A&P operations, due in part by increased commissions associated with the sales team generating more revenue through new and existing advertising relationships.

General and administrative expenses for the year ended March 31, 2015 and March 31, 2014 were approximately $19,031 and $13,586, respectively, an increase of approximately $5,445 or 40.1%. The decrease in general and administrative expenses year-over-year was primarily attributable to the inclusion of 26 days of A&P operations in fiscal 2015, investment in new offices in Germany and Singapore, transaction costs related to the acquisitions of XYO and Appia, Inc., as well as an increase in stock-based compensation.

Other Income and Expenses

	Year Ended March 31,			Year Ended March 31,		
	2016	2015	% of Change	2015	2014	% of Change
	(in thousands)			(in thousands)		
Interest expense, net	$ (1,816)	$ (234)	676.1 %	$ (234)	$ (1,407)	(83.4)%
Foreign exchange transaction gain / (loss)	(29)	32	(190.6)%	32	33	(3.0)%
Change in fair value of warrant derivative liabilities loss	—	—	— %	—	(811)	(100.0)%
Loss on extinguishment of debt	—	—	— %	—	(442)	— %
Gain / (loss) on settlement of debt	—	(9)	(100.0)%	(9)	74	(112.2)%
Gain / (loss) on disposal of fixed assets	(37)	2	(1,950.0)%	2	—	100.0 %
Gain on change in valuation of long-term contingent liability	—	—	— %	—	603	(100.0)%
Other income	—	46	(100.0)%	46	—	100.0 %
Total interest and other expense, net	$ (1,882)	$ (163)	1,054.6 %	$ (163)	$ (1,950)	(91.6)%

Fiscal 2016 Compared to Fiscal 2015

Total interest and expense, net, for the year ended March 31, 2016 and March 31, 2015 were approximately $1,882 and $163, respectively, an increase in net expenses of approximately $1,719 or 1,054.6%. Interest and other expense, net, includes net interest expense, foreign exchange transaction gain/(loss), loss on settlement of debt, gain/(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 a full year of interest expense incurred during fiscal 2016 related to the new debt brought on in connection with the acquisition of Appia, Inc. during March 2015, compared to the inclusion of only 26 days of interest expense during fiscal 2015.

Fiscal 2015 Compared to Fiscal 2014

Total interest and other expense, net, for the year ended March 31, 2015 and March 31, 2014 were approximately $163 and $1,950, respectively, a decrease in net expenses of approximately $1,787 or 91.6%. Interest and other expense, net, includes net interest expense, foreign exchange transaction gain, change in the fair value of warrant derivative liabilities loss, loss on extinguishment of debt, gain/(loss) on settlement of debt, and gain on change in valuation of long-term contingent liability. This decrease in total interest and other expense, net, was primarily attributable to significantly higher expenses in fiscal 2014 due to loan modification costs and interest expense incurred through September 2013 when the outstanding debt balance was paid off, as compared to fiscal 2015, which included only 26 days of interest expense related to the new debt brought on in connection with the acquisition of Appia, Inc.

Revenue by Service Categories

The following table summarizes our net revenues by service categories for each of the past three fiscal years. The amount or percentage of total revenue contributed by class of services has been presented for those classes accounting for 10% or more of total net revenue in any of the three latest years, with all other amounts individually representing less than 10% of total net revenue included in the Other category.

	Year Ended March 31, 2016			Year Ended March 31, 2015			Year Ended March 31, 2014	
	Dollars	% of Net Revenues	% Change	Dollars	% of Net Revenues	% Change	Dollars	% of Net Revenues
Net revenues	(in thousands)			(in thousands)			(in thousands)	
Syndicated Network	$ 35,593	41.1%	1,067.4 %	$ 3,049	10.8%	100.0 %	$ —	—%
Pay	22,727	26.3%	78.6 %	12,724	45.0%	29.6 %	9,819	40.2%
Ignite	21,577	25.0%	647.6 %	2,886	10.2%	428.6 %	546	2.3%
Marketplace	6,038	7.0%	(35.0)%	9,286	32.9%	(32.8)%	13,816	56.6%
Other	606	0.7%	97.4 %	307	1.1%	100.0 %	223	0.9%
Total net revenues	$ 86,541	100.0%	206.3 %	$ 28,252	100%	15.8 %	$ 24,404	100.0%

As a result of the strategic acquisitions of the entities now known as DT EMEA (formally the combination of the three operating subsidiaries of Logia Group Ltd, including Logia Content, Volas, and Mail Bit), DT APAC (formally MIAH), and DT Media (formally Appia, Inc.), the company has identified revenue streams that best represent its services.

Fiscal 2016 Compared to Fiscal 2015

Advertising

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 fiscal 2016, the main revenue driver for the A&P business was the syndicated network service. During the year ended March 31, 2016 there was an approximately $32,544 or 1,067.4% increase in syndicated network net revenues, as compared to the year ended March 31, 2015. During fiscal 2016, as compared to fiscal 2015, the Company experienced growth stemming primarily from inorganic growth with a full year of A&P revenue during fiscal 2016 compared to only 26 days of A&P revenue in fiscal 2015.

The Company's O&O business is an advertiser solution for unique and exclusive carrier and OEM inventory. During fiscal 2016, the main revenue drive 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 year ended March 31, 2016 there was an approximately $18,691 or 647.6% increase in Ignite net revenues, as compared to the year ended March 31, 2015. During fiscal 2016, as compared to fiscal 2015, the Company experienced growth stemming from organic growth in Ignite, driven primarily by CPI and CPP revenue from new advertising partners across commercial deployments of Ignite with new carrier 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 year ended March 31, 2016 there was an approximately $10,003 or 78.6% increase in Pay net revenues, as compared to the year ended March 31, 2015. During fiscal 2016, as compared to fiscal 2015, the Company experienced growth driven primarily by overall increased demand for the service and the service being launched with new customers in Australia.

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. During the year ended March 31, 2016 there was an approximately $3,248 or 35.0% decrease in Marketplace net revenues, as compared to the year ended March 31, 2015. During fiscal 2016, as compared to fiscal 2015, the Company experienced a decrease in Marketplace driven primarily by the contract in Israel which was terminated during the quarterly period ended June 30, 2015, and due to the overall shift in the Content business with overall consumer demand shifting away from acquiring content at carrier specific branded content stores and instead acquiring content from other more popular content stores such as Google Play or the Apple Application Store and other distribution channels such as Facebook. Additionally, the decline in Marketplace net revenues was further increased due to continued decline in the foreign exchange rate of the Australian dollar to the United States dollar. The overall decrease in Marketplace net revenues was offset by a moderate increase in net revenues due to new Content services provided in new markets in Southeast Asia.

Fiscal 2015 Compared to Fiscal 2014

Advertising

During fiscal 2015, the main revenue driver for the A&P business was the syndicated network service. During the year ended March 31, 2015 there was an approximately $3,049 or 100% increase in syndicated network net revenues, as compared to the year ended March 31, 2014. During fiscal 2015, as compared to fiscal 2014, the Company experienced growth stemming completely from inorganic growth with inclusion of 26 days of A&P operations during fiscal 2015 with the acquisition of Appia, Inc. during March 2015.

The Company's O&O business is an advertiser solution for unique and exclusive carrier and OEM inventory. During fiscal 2015, the main revenue drive 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 year ended March 31, 2015 there was an approximately $2,340 or 428.6% increase in Ignite net revenues, as compared to the year ended March 31, 2014. During fiscal 2015, as compared to fiscal 2014, the Company experienced 428.6% growth in Ignite net revenues, driven by the Company's acquisition on October 9, 2014, where the Company acquired certain intellectual property assets (now branded as Ignite) of XYO, through its Luxembourg subsidiary, DT Luxembourg. The Ignite product was not commercially deployed until late fiscal 2015 as compared to being in commercial use for all of fiscal 2016. During fiscal 2015, Ignite net revenues growth was driven primarily by CPI and CPP revenue from new advertising partners across commercial deployments of Ignite with new carrier 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 year ended March 31, 2015, there was an approximately $2,905 or 29.6% increase in Pay net revenues, as compared to the year ended March 31, 2014. During fiscal 2015, as compared to fiscal 2014, the Company experienced growth driven primarily by overall increased demand for the service.

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. During the year ended March 31, 2015, there was an approximately $4,530 or 32.8% decrease in Marketplace net revenues, as compared to the year ended March 31, 2014. During fiscal 2015, as compared to fiscal 2014, the Company experienced a decrease in Marketplace driven primarily by the contract in Israel which was terminated during the quarterly period ended June 30, 2015, and due to the overall shift in the Content business with overall consumer demand shifting away from acquiring content at carrier specific branded content stores and instead acquiring content from other more popular content stores such as Google Play or the Apple Application Store and other distribution channels such as Facebook. Additionally, the decline in Marketplace net revenues was further increased due to continued decline in the foreign exchange rate of the Australian dollar to the United States dollar. The overall decrease in Marketplace net revenues was offset by a moderate increase in net revenues due to new Content services provided in new markets in Southeast Asia.

Liquidity and Capital Resources

Selected Financial Information

	Period Ended	
	March 31, 2016	March 31, 2015
	(in thousands)	
Cash and cash equivalents	$ 11,231	$ 7,069
Restricted cash	—	200
Short-term debt		
Term loan, principal	—	600
Revolving line of credit, principal	3,000	3,000
Senior secured debenture, net of discounts of $440 and $0, respectively	7,560	—
Total short-term debt	10,560	3,600
Long-term debt		
Senior secured debenture, net of discounts of $0 and $910, respectively	—	7,090
Total long-term debt	—	7,090
Working capital		
Current assets	29,674	20,274
Current liabilities	38,982	23,952
Working capital	$ (9,308)	$ (3,678)

Working Capital

Cash and cash equivalents and restricted cash totaled approximately $11,231 and approximately $7,269 at March 31, 2016 and March 31, 2015, respectively, an increase of approximately $3,962 or 54.5%. Current assets totaled approximately $29,674 and approximately $20,274 at March 31, 2016 and March 31, 2015, respectively, an increase of approximately $9,400 or 46.4%. As of March 31, 2016 and March 31, 2015, the Company had approximately $17,519 and $12,174, respectively, in accounts receivable, an increase of $5,345 or 43.9%. As of March 31, 2016 and March 31, 2015 the Company's working capital deficit was $9,308 and $3,678, respectively, an increase of $5,630 or 153.1%. The increase in working capital deficit was primarily attributable to the subordinated debenture with North Atlantic maturing on March 6, 2017 amounting to $7,560 (net of discounts of $440) now included in short-term debt as of March 31, 2016 as compared to long-term debt as of March 31, 2015, offset by the net proceeds of $12,627 received from the completed public offering on October 2, 2015 and the net cash received from our investment in Sift of $875. Working capital deficit was further increased due to working capital and liquidity management, with a focus on accounts receivable collections and utilizing the full and extended payment terms on our accounts payable. Excluding the classification of the subordinated debenture with North Atlantic in current assets at March 31, 2016, the Company's working capital deficit would have been $1,748 at March 31, 2016, an improvement of $1,930 compared to the working capital deficit of $3,678 at March 31, 2015.

Our primary sources of liquidity have historically been issuances of common and preferred stock and convertible debt. The Company completed a public offering on October 2, 2015, netting cash proceeds to the Company of $12,627. The Company expects to use the net proceeds from the offering for organic business opportunities, product development, general corporate purposes, working capital, and capital expenditures. The Company believes that it has, after the public offering, sufficient cash, cash equivalents, and capital resources to operate its business at least through March 31, 2017. As of March 31, 2016, we had cash and cash equivalents totaling approximately $11,231, which includes the net cash proceeds of $875 received from the Sift Media, Inc. transaction. Additionally, the Company currently has a $5,000 revolving credit facility in place with SVB, which it uses to fund working capital requirements, as needed. As of March 31, 2016, the Company also had $3,000 outstanding on its revolving credit facility with SVB, which is included in current liabilities. As of March 31, 2016, the Company had fully paid off its term loan with Silicon Valley Bank.

On June 11, 2015, DT Media and SVB, entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which SVB agreed to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement.

On November 30, 2015, DT Media and SVB, entered into an amendment (the “Amendment”) to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015. Pursuant to the Amendment, the adjusted EBITDA financial covenant was removed and replaced with the requirement to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if the Company’s cash and cash equivalents held at the SVB or SVB’s Affiliates is greater than or equal to $15,000. Furthermore, the Streamline Period, which is not a financial covenant but applies to application of receivables, was amended so that it is achieved if DT Media’s trailing three-month period revenue is not less than 85% of projections for the three months ending August 31, 2015 through November 30, 2015, 75% of projections for the three months ending December 31, 2015 and thereafter, with the projected revenue for such three month period as set forth in DT Media’s operating budget provided to the SVB. The Amendment also added the requirement for the Company to deliver consolidated financial statements in addition to DT Media. The Company was non-Streamline as of March 31, 2016. As of April 30, 2016, given the Company did not meet the requirements set forth in the Amendment, specifically items (a) and (b) noted previously, the Company was required to maintain an adjusted quick ratio of not less than 0.90:1.00. As of April 30, 2016, the Company's quick ratio was estimated at 0.89 versus the 0.90 minimum level.

On June 10, 2016, prior to the required testing of the above-mentioned covenant, SVB and DT Media entered into a Consent Agreement, effective as of May 31, 2016, whereby SVB provided its consent to DT Media (for a de minimis fee) to not exercise any rights or remedies solely in connection with the non-compliance with such covenant for the period ended April 30, 2016, without which consent DT Media would have been in default of the Loan Agreement. Please see "Risk Factors" included in PART I Item 1A. of this Annual Report on Form 10-K within section "General Risk - The Company has secured indebtedness, which could limit its financial flexibility", regarding financial covenant compliance.

Cash Flow Summary

	Year Ended March 31,			Year Ended March 31,		
	2016	2015	% of Change	2015	2014	% of Change
	(in thousands)			(in thousands)		
Consolidated Statement of Cash Flows Data:						
Net cash used in operating activities	(7,069)	(14,500)	(51.2)%	(14,500)	(7,807)	85.7 %
Purchase and disposal of property and equipment, net	(1,549)	(67)	2,211.9 %	(67)	(207)	(67.6)%
Cash used in acquisition of assets	—	(2,125)	(100.0)%	(2,125)	—	100.0 %
Net cash from investment in Sift	875	—	100.0 %	—	—	— %
Settlement of contingent liability	—	(49)	(100.0)%	(49)	—	100.0 %
Stock issued for cash in stock offering, net	12,627	—	100.0 %	—	33,297	(100.0)%
Options exercised	51	136	(62.5)%	136	—	100.0 %
Warrant exercised	—	375	(100.0)%	375	—	100.0 %
Repayment of debt obligations	(600)	—	100.0 %	—	(3,657)	(100.0)%
Effect of exchange rate changes on cash and cash equivalents	(173)	131	(232.1)%	131	(196)	(166.8)%

Operating Activities

During the year ended March 31, 2016 and March 31, 2015, the Company's net cash used in operating activities was $7,069 and $14,500, respectively, a decrease of $7,431 or 51.2%. The decrease in net cash used in operating activities was primarily attributable to the net loss during the year ended March 31, 2016 and March 31, 2015 of $28,032 and $24,647, respectively, an increase of $3,385 or 13.7%, offset by other non-cash expenses, most notably depreciation and amortization, which during fiscal 2016 and fiscal 2015 was $10,974 and $2,108, respectively, an increase of $8,866 or 420.6%.

During the year ended March 31, 2016, net cash used in operating activities was $7,069, resulting from a net loss of $28,032, offset by net non-cash expenses of $17,467, which included depreciation and amortization, stock-based compensation, stock-based compensation related to vesting of restricted stock for services, stock issued for settlement of liability, amortization of debt discount, a reduction in the allowance for doubtful accounts, and an increase in accrued interest of approximately $10,974, $5,095, $867, $283, $470, $234, and $12 respectively. Depreciation and amortization expense increased $8,866 during fiscal 2016 compared to fiscal 2015, due primarily to increased Appia, Inc. acquisition-related amortization expense of $6,500 or 1,313.1%, which for the years ended ended March 31, 2016 and March 31, 2015 was approximately $6,995 and $495, respectively, and due to accelerated amortization expense of approximately $2,400 related to customer relationship intangible assets associated with customer terminations related to our DT EMEA Content business. Net cash used in operating activities during fiscal 2016 was positively impacted by the change in net working capital accounts as of March 31, 2016 compared to March 31, 2015, with an increase over the comparative periods in accounts payable and accrued license fees and revenue share of approximately $7,308 and $2,789, offset by an increase in accounts receivable of approximately $5,111. The increase in accounts payable and accrued license fees and revenue share was driven by working capital and liquidity management, with a focus on accounts receivable collections and utilizing the full and extended payment terms on our accounts payable. Accounts receivable increased primarily due to the inclusion of the acquired Appia, Inc. business for all of fiscal 2016 compared to only 26 days of operations in fiscal 2015. Net cash used in operating activities is further comprised of an increase in deposits and deferred financing costs of approximately $104 and $128, respectively, offset by a decrease in restricted cash transferred to operating cash, prepaid expenses and other current assets, accrued compensation, and other liabilities and other items of $200, $57, $831, and $266, respectively.

During the year ended March 31, 2015, net cash used in operating activities was $14,500, resulting from a net loss of $24,647, offset by net non-cash expenses of $9,257, which included depreciation and amortization, stock-based compensation, stock-based compensation related to vesting of restricted stock for services, amortization of debt discount, an increase in the allowance for doubtful accounts, and an increase in accrued interest of approximately $2,108, $5,850, $490, $34, $698, and $77, respectively. Net cash used in operating activities during fiscal 2015 was negatively impacted by the change in net working capital accounts as of March 31, 2015 compared to March 31, 2014, with an increase in accounts receivable, deposits, and prepaid expenses and other current assets of approximately $406, $63, $142, a decrease in accounts payable and other liabilities and other items of $379 and $4,589, offset by an increase in accrued license fees and revenue share of approximately $2,988. The increase in accrued license fees and revenue share was driven by working capital and liquidity management, with a focus on accounts receivable collections and utilizing the full and extended payment terms on our accounts payable. Net cash used in operating activities is further comprised of a decrease in deferred tax assets of $3,156 and an increase in accrued compensation of $325.

During the year ended March 31, 2014, net cash used in operating activities was $7,807, resulting from a net loss of $18,704, offset by net non-cash expenses of $10,151, which included depreciation and amortization, loss on disposal of discontinued operations (net of taxes), stock-based compensation, stock-based compensation related to vesting of restricted stock for services, finance costs, increase in fair value of derivative liabilities, fair value of financing costs related to conversion options, warrants issued for services, impairment of goodwill and intangibles, amortization of debt discount, an increase in accrued interest, settlement of debt with a supplier, stock issued as settlement of debt with a supplier, and revaluation of contingent liability of approximately $1,856, $820, $1,938, $2,755, $1,173, $811, $470, $406, $154, $187, $109, $51, $24, and $603, respectively. Net cash used in operating activities during fiscal 2014 was positively impacted by the change in net working capital accounts as of March 31, 2015 and March 31, 2014, with an increase over the comparative periods in accrued license fees and revenue share, accrued compensation, and other liabilities and other items of approximately $737, $650 and $3,229, offset by an increase in accounts receivable and prepaid expenses and other current assets of approximately $734 and $2,566, respectively. The increase in accounts payable, accrued license fees and revenue share was driven by working capital and liquidity management, with a focus on accounts receivable collections and utilizing the full and extended payment terms on our accounts payable. Net cash used in operating activities is further comprised of a decrease in deposits and accounts payables of $523 and $893, respectively.

Investing Activities

During the year ended March 31, 2016, cash used in investing activities was approximately $674, which includes capital expenditures of $1,549 comprised mostly of internally-developed software, offset by net cash received from the investment in Sift of $875.

During the year ended March 31, 2015, cash used in investing activities was approximately $878, which includes cash used in the acquisition of the XYO assets of $2,125, capital expenditures net of disposals of $67, cash paid for settlement of contingent liability of $49, offset by cash acquired with the acquisition of Appia, Inc. of $1,363.

During the year ended March 31, 2014, cash used in investing activities was approximately $981, which includes cash used and acquired in the acquisition of MIA of $1,287 and $513, respectively, and capital expenditures, net of disposals, of $207.

Financing Activities

During the year ended March 31, 2016, cash used in financing activities was approximately $12,078, which is primarily attributable to stock issued for cash (net) in stock offering of $12,627 and proceeds received from the exercise of stock options of approximately $51, offset by repayment of principal on the credit facility and loss on exchange rate changes on cash and cash equivalents of approximately $600 and $173, respectively.

During the year ended March 31, 2015, cash provided in financing activities was approximately $511, which is primarily attributable to stock issued for options exercised and warrants exercised of $136 and $375, respectively.

During the year ended March 31, 2014, net cash provided in financing activities was approximately $29,640, which is primarily attributable to stock issued for cash (net) in stock offering of $33,297, and repayment of debt obligations of $3,657.

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.

Contractual Cash Obligations

The following table summarizes our contractual cash obligations at March 31, 2016:

		Payments Due by Period			
Contractual cash obligations	**Total**	**Fiscal 2017**	**Fiscal 2018 - 2019**	**Fiscal 2020-2021**	**Thereafter**
Principal payments on short-term debt	11,000	11,000	—	—	—
Operating leases	4,299	941	1,769	1,064	525
Interest	1,043	1,043	—	—	—
Uncertain tax positions (a)	—	—	—	—	—
Total contractual cash obligations	16,342	12,984	1,769	1,064	525

(a) We have approximately $815 in additional liabilities associated with uncertain tax positions that are not expected to be liquidated in fiscal 2017. We are unable to reliably estimate the expected payment dates for these additional non-current liabilities.

Critical Accounting Policies

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

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

Basis of Presentation

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

Estimates and Assumptions

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

Revenue Recognition

Advertising

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

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

- The Company has the contractual relationship with the application developers or advertising aggregators (collectively, the advertisers), and we have the performance obligation to these parties;
- Through our Ignite and Discover software, we provide application installation and management as well as detailed reporting to advertisers and carriers. We are responsible for billing the advertisers, and for reporting revenues and revenue share to the carriers;
- As part of the application management process, we use our data, and post-install event data provided back to us by the advertisers, to match applications to end users. We currently target end users based on carrier, geography, demographics (including by handset type), among other attributes, by leveraging carrier data. We have discretion as to which applications are delivered to each end user;
- Pricing is established in our agreements with advertisers. We negotiate pricing with the advertisers, based on prevailing rates typical in the industry; and
- The Company is responsible for billing and collecting the gross amount from the advertiser. Our carrier agreements do not include any specific provisions that allow us to mitigate our credit risk by reducing the revenue share payable to the carrier.

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

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

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

Content and Billing

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

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

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

Key indicators that it evaluated to reach this determination include:

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

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

Content Provider Licenses and Carrier Revenue Share

Carrier Revenue Share

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

Content Provider License Fees

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

Software Development Costs

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

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

Presentation

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

Concentrations of Credit Risk and Significant Customers

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 March 31, 2016, two major customers represented 15.6% and 11.0% of the Company's net accounts receivable balance within both the Content and Advertising businesses, respectively. As of March 31, 2015, the previously mentioned first major Content customer represented 21.1% 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 year ended March 31, 2016, the previously mentioned first major customer represented 26.1% of revenue. During the year ended March 31, 2015, the two previously mentioned major customers represented 50.6% and 11.1%, respectively, of revenue and during the year ended March 31, 2014, the two previously mentioned major customers and a third major customer represented 45.8%, 22.2%, and 10.5% of revenue.

Goodwill and Indefinite Life Intangible Assets

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

In the year ended March 31, 2015, the Company determined that there was no impairment of goodwill. In performing the related valuation analysis, the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison. There were no indications of impairment present during the period ended March 31, 2016.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consist of customer lists, license agreements and software that have been acquired are amortized using the straight-line method over their useful life ranging from five to eight years and are reviewed for impairment in accordance with FASB ASC 360-10, Accounting for the

Impairment or Disposal of Long-Lived Assets, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

There were no indications of impairment present during the period ended March 31, 2016. In performing the related valuation analysis the Company used various valuation methodologies including probability weighted discounted cash flows, comparable transaction analysis, and market capitalization and comparable company multiple comparison.

Income Taxes

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

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

The Company's income is subject to taxation in both the U.S. and foreign jurisdictions, including Israel, Germany, Luxembourg, Singapore and Australia. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. The Company establishes reserves for income tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves for tax contingencies are established when the Company believes that positions do not meet the more-likely-than-not recognition threshold. The Company adjusts uncertain tax liabilities in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of uncertain tax liabilities and changes in liabilities that are considered appropriate.

Stock-based compensation.

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

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

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

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

Preferred Stock

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

Recently Issued Accounting Pronouncements

Recent accounting pronouncements are detailed in Note 4 to our Consolidated Financial Statements included in PART II, Item 8 of this Annual Report on Form 10-K.

Recent Developments

On June 13, 2016, DT Media and North Atlantic entered into a Third Amendment to Securities Purchase Agreement, where DT Media agreed to pay North Atlantic the amount of $60 as consideration to extend the Retirement Date (defined below) to July 15, 2016.

On May 6, 2016, DT Media and North Atlantic, entered into a Second Amendment to Securities Purchase Agreement, where DT Media 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”) and provided that the vesting date may be further extended by North Atlantic to no later than June 22, 2016, if North Atlantic believes, in its reasonable discretion, that (i) DT Media is unable to refinance the obligations by the vesting date, (ii) reasonable progress has been made by DT Media in refinancing the obligations, and (iii) in all likelihood, DT Media will be able to refinance the obligations by June 22, 2016. If these conditions are not satisfied or the debt is not refinanced by June 15, 2016, then a warrant for 400,000 shares would be issued to North Atlantic and North Atlantic would receive a board observer. The payment of $140 to North Atlantic was in lieu of any prepayment premium described below.

On February 17, 2016, DT Media and North Atlantic, entered into an amendment to the Securities Purchase Agreement dated March 6, 2015 where DT Media agreed to the prepayment premium in the table below if the debt is retired within the date ranges set forth. Although the Company’s debt to North Atlantic is not due until March 6, 2017, if the debt is not retired by May 6, North Atlantic has a right to receive a warrant for 400,000 shares (0.6% of outstanding as of March 31, 2016) and a board observer right. As the Company is in discussions to refinance its debt, it sought to defer the issuance of the warrant (and board observer rights) in exchange for the prepayment premium. Accordingly, pursuant to this amendment, the warrant vesting was modified to May 6, 2016.

Period	**Prepayment Premium (in thousands)**	
From March 6, 2016 to and including April 6, 2016	$	40
From April 7, 2016 until the maturity date	$	80

On December 28, 2015, DT Media entered into a license with respect to certain of DT Media’s intellectual property assets with Sift Media, Inc. ("Sift"), in exchange for 9.9% of Sift’s newly-issued Preferred Stock and a cash payment of $1,000. Judson Bowman, a former director of the Company, is the founder, CEO, and majority shareholder of Sift. Mr Bowman stepped down from Digital Turbine's board effective January 25, 2016. For so long as DT Media holds Preferred Stock in Sift, DT Media shall be entitled to nominate for election one member of the five-member Board of Sift, which DT Media nominated as director CEO of Digital Turbine, Bill Stone.

On November 30, 2015, DT Media and Silicon Valley Bank ("SVB"), entered into an amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015. Pursuant to this amendment, the adjusted EBITDA financial covenant was removed and replaced with the requirement to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if Digital Turbine's cash and cash equivalents held at the SVB or SVB's Affiliates is greater than or equal to $15,000. Furthermore, the Streamline Period, which is not a financial covenant but applies to application of receivables, was amended so that it is achieved if DT Media's trailing three-month period revenue is not less than 85% of projections for the three months ending August 31, 2015 through November 30, 2015, 75% of projections for the three months ending December 31, 2015 and thereafter, with the projected revenue for such three month period as set forth in DT Media's operating budget provided to the SVB. This amendment also added the requirement for the Digital Turbine to deliver consolidated financial statements in addition to DT Media.

On June 11, 2015, DT Media and SVB, entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which SVB agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility to June 30, 2016, and to make certain other changes to the terms of the existing agreement. The revolving line of credit under the this amendment allows DT Media to borrow up to the lesser of $5,000 or the borrowing base, which is 80% of eligible accounts receivable after consideration of other amounts outstanding, under the revolving line of credit. The revolving line requires interest payable monthly at a floating annual rate equal to (a) during any month for which DT Media 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%).

ITEM 7A. 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. These risks primarily consist of 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 these foreign currencies and then translated into the U.S. dollar, the vast majority of our media costs are billed in the U.S. dollar, causing both our revenue and, disproportionately, our operating loss and net loss to be impacted by fluctuations in the exchange rates. In addition, gains (losses) related to translating certain cash balances, trade accounts receivable balances and intercompany 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. At this time we do not, but we may in the future, enter into financial instruments to hedge our foreign currency exchange risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

DIGITAL TURBINE, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The supplementary financial information required by this Item 8 is set forth in Note 19 of the Notes to the Consolidated Financial Statements under the caption "Supplemental Consolidated Financial Information".

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Digital Turbine, Inc. and Subsidiaries (collectively, the "Company") as of March 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2016, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated June 14, 2016 expressed an opinion that the Company had not maintained effective internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

/s/ SingerLewak LLP

Los Angeles, California
June 14, 2016

Report of Independent Registered Public Accounting Firm

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

We have audited Digital Turbine, Inc. and Subsidiaries' (collectively, the "Company") internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. The Company's control environment did not sufficiently promote effective internal control over financial reporting; this includes deficiencies in the design and operations of monitoring controls over information technology systems. Furthermore, the Company's financial reporting and close process is not operating effectively, specifically related to the aggregation of deficiencies related to the lack of formal accounting policies, processes and technical resources restraints, and a reliance on a manual close process. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 consolidated financial statements, and this report does not affect our report dated June 14, 2016 on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of March 31, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2016, and our report dated June 14, 2016 expressed an unqualified opinion.

/s/ SingerLewak LLP

Los Angeles, California
June 14, 2016
Digital Turbine, Inc. and Subsidiaries

Digital Turbine, Inc. and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	March 31, 2016	March 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 11,231	$ 7,069
Restricted cash	—	200
Accounts receivable, net of allowances of $464 and $698, respectively	17,519	12,174
Deposits	213	109
Deferred financing costs	128	—
Deferred tax assets	—	82
Prepaid expenses and other current assets	583	640
Total current assets	29,674	20,274
Property and equipment, net	1,784	614
Investment in Sift	999	—
Deferred tax assets	500	—
Intangible assets, net	12,490	24,936
Goodwill	76,621	76,747
TOTAL ASSETS	**$ 122,068**	**$ 122,571**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 15,300	$ 8,118
Accrued license fees and revenue share	9,622	6,833
Accrued compensation	1,353	2,184
Short-term debt, net of discounts of $440 and 0, respectively	10,560	3,600
Deferred tax liabilities	—	217
Other current liabilities	2,147	3,000
Total current liabilities	38,982	23,952
Long-term debt, net of discounts of $0 and 910, respectively	—	7,090
Other non-current liabilities	815	—
Total liabilities	39,797	31,042
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at $0.0001 par value; 2,000,000 shares authorized, 100,000 issued and outstanding (liquidation preference of $1,000)	100	100
Common stock		
$0.0001 par value: 200,000,000 shares authorized; 67,019,703 issued and 66,284,606 outstanding at March 31, 2016; 57,917,565 issued and 57,162,967 outstanding at March 31, 2015;	8	7
Additional paid-in capital	295,423	276,500
Treasury stock (754,599 shares at March 31, 2016 and March 31, 2015)	(71)	(71)
Accumulated other comprehensive loss	(202)	(52)
Accumulated deficit	(212,987)	(184,955)
Total stockholders' equity	82,271	91,529
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 122,068**	**$ 122,571**

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

Digital Turbine, Inc. and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income / (Loss)

(in thousands, except per share amounts)

	Year Ended March 31,		
	2016	2015	2014
Net revenues	$ 86,541	$ 28,252	$ 24,404
Cost of revenues			
License fees and revenue share	66,185	20,110	14,789
Other direct cost of revenues	10,537	2,010	1,769
Total cost of revenues	76,722	22,120	16,558
Gross profit	9,819	6,132	7,846
Operating expenses			
Product development	10,983	7,905	7,869
Sales and marketing	6,067	2,933	1,915
General and administrative	18,705	19,031	13,586
Total operating expenses	35,755	29,869	23,370
Loss from operations	(25,936)	(23,737)	(15,524)
Interest and other expense, net			
Interest expense, net	(1,816)	(234)	(1,407)
Foreign exchange transaction gain / (loss)	(29)	32	33
Change in fair value of warrant derivative liabilities loss	—	—	(811)
Loss on extinguishment of debt	—	—	(442)
Gain / (loss) on settlement of debt	—	(9)	74
Gain / (loss) on disposal of fixed assets	(37)	2	—
Gain on change in valuation of long-term contingent liability	—	—	603
Other income	—	46	—
Total interest and other expense, net	(1,882)	(163)	(1,950)
Loss from operations before income taxes	(27,818)	(23,900)	(17,474)
Income tax provision / (benefit)	214	747	(272)
Net loss from continuing operations, net of taxes	(28,032)	(24,647)	(17,202)
Discontinued operations, net of taxes			
Loss from operations of discontinued component (including gain on disposal of $1,077)	—	—	(1,502)
Net loss from discontinued operations, net of taxes	—	—	(1,502)
Net loss	(28,032)	(24,647)	(18,704)
Other comprehensive income/(loss)			
Foreign currency translation adjustment	(150)	147	67
Comprehensive loss	$ (28,182)	$ (24,500)	$ (18,637)
Basic and diluted net loss per common share	$ (0.46)	$ (0.63)	$ (0.68)
Continuing operations	(0.46)	(0.63)	(0.63)
Discontinued operations	—	—	(0.05)
Net loss	(0.46)	(0.63)	(0.68)
Weighted-average common shares outstanding, basic and diluted	61,763	38,967	27,478

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

Digital Turbine, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

(in thousands, except share amounts)

	Common Stock Shares	Amount	Preferred Stock Shares	Amount	Treasury Stock Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total
Balance at March 31, 2013	18,467,894	$ 7	100,000	$ 100	754,599	$ (71)	$142,571	$ (266)	$ (141,604)	$ 737
Net loss									(18,704)	(18,704)
Foreign currency translation								67		67
Fractional shares due to split	(118)									—
Warrants exercised	992,046									—
Options exercised	154,048									—
Vesting of shares issued to employees							640			640
Vesting of options issued to employees							1,938			1,938
Vesting of restricted stock for services							1,351			1,351
Shares of restricted stock issued for services	254,020						390			390
Vesting of restricted stock related to acquisition							374			374
Issuance of common stock for financing costs related to acquisition	109,964						472			472
Issuance of common stock related to acquisition	1,516,044						5,485			5,485
Change in fair value of convertible debt							313			313
Issuance of common stock for cash	771,428						2,700			2,700
Issuance of convertible debt							1,064			1,064
Vesting of warrants issued for services rendered							406			406
Issuance of warrants and extend existing warrants related to convertible debt							476			476
Issuance of shares related to convertible debt	80,000						248			248
Convertible debt converted to stock	4,783,378						4,373			4,373

Shares issued as settlement of debt	9,750						24			24
Issuance of common stock as part of public offering, less costs	10,249,975						30,597			30,597
Balance at March 31, 2014	37,388,429	$ 7	100,000	$ 100	754,599	$ (71)	$193,422	$ (199)	$ (160,308)	$32,951

Net loss									(24,647)	(24,647)
Foreign currency translation								147		147
Vesting of shares issued to employees	80,064						576			576
Shares vested in connection with a separation agreement							1,967			1,967
Cancellation of shares issued to employee	(8,131)						(27)			(27)
Vesting of options issued to employees							3,292			3,292
Vesting of restricted stock for services	119,305						490			490
Shares issued as settlement of debt	65,000						248			248
Issuance of common stock related to debt	200,000						788			788
Shares issued to employees assumed in acquisition	67,827						42			42
Options assumed in acquisition							633			633
Warrant issued to debt-holder in connection with new debt							156			156
Issuance of common stock related to acquisition	18,883,723						74,402			74,402
Options exercised	53,333						136			136
Warrant exercised	313,417						375			375
Balance at March 31, 2015	57,162,967	7	100,000	100	754,599	(71)	276,500	(52)	(184,955)	$91,529
Net loss									(28,032)	(28,032)
Foreign currency translation								(150)		(150)
Cancellation of shares issued to employees	(454,164)									—
Stock-based compensation							5,096			5,096
Stock-based compensation related to vesting of restricted stock for services	233,928						867			867
Options exercised	66,682						51			51
Cashless exercise of a warrant	452,974									—
Cancellation of shares held in escrow related to Appia acquisition	(10,874)									—
Stock issued for settlement of liability	117,000						283			283
Shares cancelled	(23,907)									—
Stock issued for cash in stock offering	8,740,000	1					12,626			12,627
Balance at March 31, 2016	66,284,606	8	100,000	100	754,599	(71)	295,423	(202)	(212,987)	$82,271

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

Digital Turbine, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended March 31,		
	2016	**2015**	**2014**
Cash flows from operating activities			
Net loss	(28,032)	(24,647)	(18,704)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on disposal of discontinued operations, net of taxes	—	—	820
Depreciation and amortization	10,974	2,108	1,856
Change in allowance for doubtful accounts	(234)	698	—
Amortization of debt discount	470	34	187
Accrued interest	12	77	109
Finance costs	—	—	1,173
Fair value of financing costs related to conversion options	—	—	470
Stock-based compensation	5,095	5,850	1,938
Stock-based compensation related to restricted stock for services rendered	867	490	2,755
Warrants issued for services	—	—	406
Stock issued as settlement of debt with a supplier	—	—	24
Settlement of debt with a supplier	—	—	51
Revaluation of contingent liability	—	—	(603)
Impairment of intangibles	—	—	154
Increase in fair value of derivative liabilities	—	—	811
Stock issued for settlement of liability	283	—	—
(Increase)/decrease in assets:			
Restricted cash transferred to/(from) operating cash	200	—	(200)
Accounts receivable	(5,111)	(406)	(734)
Deposits	(104)	(63)	523
Deferred tax assets	(418)	3,156	—
Deferred financing costs	(128)	—	—
Prepaid expenses and other current assets	57	(142)	(2,566)
Increase/(decrease) in liabilities:			
Accounts payable	7,308	(379)	(893)
Accrued license fees and revenue share	2,789	2,988	737
Accrued compensation	(831)	325	650
Other liabilities and other items	(266)	(4,589)	3,229
Net cash used in operating activities	(7,069)	(14,500)	(7,807)
Cash flows from investing activities			
Purchase and disposal of property and equipment, net	(1,549)	(67)	(207)
Settlement of contingent liability	—	(49)	—
Cash used in acquisition of assets	—	(2,125)	—
Net cash from investment in Sift	875	—	—
Cash used in acquisition of subsidiary	—	—	(1,287)
Cash acquired with acquisition of subsidiary	—	1,363	513
Net cash used in investing activities	(674)	(878)	(981)
Cash flows from financing activities			
Stock issued for cash in stock offering, net	12,627	—	33,297
Repayment of debt obligations	(600)	—	(3,657)
Options exercised	51	136	—
Warrant exercised	—	375	—
Net cash provided by financing activities	12,078	511	29,640
Effect of exchange rate changes on cash and cash equivalents	(173)	131	(196)
Net change in cash and cash equivalents	4,162	(14,736)	20,656
Cash and cash equivalents, beginning of year	7,069	21,805	1,149

Cash and cash equivalents, end of year	$ 11,231	$ 7,069	$ 21,805

Supplemental disclosure of cash flow information			
Interest paid	$ 1,011	$ —	$ —
Supplemental disclosure of non-cash investing and financing activities:			
Contingency earn out on acquisition of subsidiary, net of discount	$ —	$ —	$ 238
Common stock of the Company issued for acquisition of subsidiary	$ —	$ 75,035	$ 4,449
Cashless exercise of options to purchase common stock of the Company	$ —	$ —	$ 854
Cashless exercise of warrants to purchase common stock of the Company	$ 566	$ —	$ 5,914

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

Notes to Consolidated Financial Statements

(in thousands, except share and per share amounts)

1. Organization

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

2. Liquidity

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

Our primary sources of liquidity have historically been issuance of common and preferred stock and convertible debt. In fiscal 2014, the Company raised $33,297 through equity financings. The Company completed a public offering on October 2, 2015, netting cash proceeds to the Company of $12,627. The Company expects to use net cash proceeds from the offering for organic business opportunities, product development, general corporate purposes, working capital, and capital expenditures. The Company believes that it has, after the public offering, sufficient cash, cash equivalents, and capital resources to operate its business at least through March 31, 2017. As of March 31, 2016, the Company had approximately $11,231 of cash and cash equivalents, which includes the cash gross proceeds of $1,000 received from the Sift transaction. Additionally, the Company currently has a $5,000 revolving credit facility in place with SVB which it uses to fund working capital requirements, as needed. As of March 31, 2016, the Company also had $3,000 outstanding on its revolving credit facility with SVB. As of March 31, 2016, the Company had fully paid off its term loan with SVB.

Pursuant to the amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015, entered into by DT Media and SVB on November 30, 2015, the covenant requirement was put in place for the Company to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if the Company's cash and cash equivalents held at SVB or SVB's Affiliates is greater than or equal to $15,000. As of April 30, 2016, given the Company did not meet the requirements set forth in (a) and (b) noted previously, the Company was required to maintain an adjusted quick ratio of not less than 0.90:1.00. As of April 30, 2016, the Company's quick ratio was estimated at 0.89 versus the 0.90 minimum level.

On June 10, 2016, prior to the required testing of the above-mentioned covenant, SVB and DT Media entered into a Consent Agreement, effective as of May 31, 2016, whereby SVB provided its consent to DT Media (for a de minimis fee) to not exercise any rights or remedies solely in connection with the non-compliance with such covenant for the period ended April 30, 2016, without which consent DT Media would have been in default of the Loan Agreement. Please see "Risk Factors" included in PART I Item 1A. of this Annual Report on Form 10-K within section "General Risk - The Company has secured indebtedness, which could limit its financial flexibility", regarding financial covenant compliance.

Until the Company becomes cash flow positive, the Company anticipates that its primary source of liquidity will be cash on hand and access to the $5,000 revolving credit facility, which matures on June 30, 2016. In addition, the Company may 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, and may need to raise additional capital through future debt or equity financing to provide for greater flexibility to fund any such acquisitions and organic growth opportunities. Additional financing may not be available on acceptable terms or at all. If the Company issues additional equity securities to raise funds, the ownership percentage of its existing stockholders would be reduced. New investors may demand rights, preferences, or privileges senior to those of existing holders of common stock.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying consolidated balance sheet is dependent upon continued operations of the Company, which, in turn, is dependent upon the Company's ability to generate positive cash flows from operations. The financial statements do not include any adjustments 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. Acquisitions and Disposals

Mirror Image Access

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

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

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

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

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

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

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

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

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

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

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

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

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

Xyologic Mobile Analysis

On October 9, 2014, the Company acquired certain intellectual property assets of Xyologic Mobile Analysis, GmbH ("XYO"), related to mobile application recommendation, search and discovery. The Company has completed the integration of the acquired technology into the DT Discover software solution.

The acquisition was effected pursuant to an Asset Purchase Agreement dated October 8, 2014 (the "Asset Purchase Agreement"). The aggregate purchase price was US $2,500, paid in cash, subject to a twelve (12) month hold-back of US $375, which acts as partial security for potential future indemnification claims. During April 2016, the Company reached a settlement with the sellers of XYO, whereby the Company was relieved of the $375 liability.

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

Appia, Inc.

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

The number of shares that were issued by the Company is subject to adjustment based on Appia Inc's working capital and net indebtedness as of the closing date of the merger. Based on Appia Inc's working capital and net indebtedness as of March 6, 2015, the Company issued 18,883,723 shares of its common stock and reserved 245,955 of its common stock for Appia Inc's equity awards outstanding at the closing date that are assumed by the Company and converted into equity awards for Digital Turbine common stock. Vested equity awards held by Appia Inc's employees and service providers are considered part of the purchase price; accordingly, the estimated purchase price includes an estimated fair value of equity awards to be issued by the Company of approximately $633. The value of the Company's common stock used to estimate the purchase price was $3.94 per share, the closing price on March 6, 2015. The following table summarizes the final fair values of the assets acquired and liabilities assumed at the date of acquisition, based on information available as of March 31, 2016. These final fair values differ from the estimated fair values reflected in the pro forma financial information included in the Company's previously filed S-4 to the availability of additional and updated information. In the year ended March 31, 2016, the Company adjusted the purchase price allocation of DT Media due to the finalization of the working capital adjustment, which resulted in a net decrease in goodwill of $126, from $69,438 down to $69,312 as detailed in the table below.

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

Cash	$ 1,363
Accounts receivable	7,364
Prepaid expenses and other assets	171
Property, plant and equipment	229
Developed technology	7,700
Advertiser relationships	6,500
Publisher relationships	3,200
Trade names/trademarks	380
Goodwill	69,312
Accounts payable	(5,179)
Accrued expenses	(4,531)
Debt	(11,600)
Purchase price	$ 74,909

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

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

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

	Unaudited Year Ended March 31, 2015	2014
Revenues	$ 57,978	$ 73,533
Cost of goods sold	45,580	52,638
Gross profit	12,398	20,895
Operating expenses	43,644	37,072
Loss from operations	31,246	16,177
Non-operating expense	3,372	1,950
Provision for income taxes	541	864
Net loss	$ 35,159	$ 18,991
Basic and diluted loss per share	$ 0.90	$ 0.49

The operating results of DT Media are included in the accompanying consolidated statements of operations from the acquisition date. The combined consolidated operating results from the acquisition date to March 31, 2015 are included in the table below. The combined consolidated operating results for fiscal 2016 include a full year of operating results of DT Media.

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

TWISTBOX

On February 13, 2014, the Company sold its wholly-owned subsidiary, Twistbox, and its subsidiaries.

The Company sold Twistbox for $0.001 at closing plus potential future payments from the buyer (seller earn-out) related to contracts assumed by the buyer and contracts sourced by the Company post-closing. Under the stock purchase agreement, the buyers assumed net liabilities of $2,300, while the Company left $100 in the Twistbox bank account, and took financial responsibility for the French and German employees and the facility lease in Germany. The Company indemnified the buyer for any losses that may result from select liabilities assumed by the buyer up to $336 for a period of eighteen months following the closing. This amount, along with other liabilities related to accrued compensation, total $440.

In accordance with FASB ASC 205-20, Discontinued Operations, the operating results and net assets and liabilities related to Twistbox were reclassified as of February 13, 2014 and reported as discontinued operations in the accompanying consolidated financial statements.

The Company recorded a loss on the sale of $1,502.

The following is a summary of the assets and liabilities of the discontinued operations as of February 13, 2014:

Working capital, net of cash	$	2,833
Accounts receivable		436
Prepaid expenses		49
Deposits		16
Property, plant and equipment		32
Intangible assets		228
Goodwill		142
Accounts payable		(1,394)
Accrued liabilities		(840)
Loss on sale, net of taxes	$	1,502

4. Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. See Part I for a detailed listing of the Company's wholly-owned subsidiaries.

Revenue Recognition

Advertising

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

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

- The Company has the contractual relationship with the application developers or advertising aggregators (collectively, the advertisers), and we have the performance obligation to these parties;
- Through our Ignite and Discover software, we provide application installation and management as well as detailed reporting to advertisers and carriers. We are responsible for billing the advertisers, and for reporting revenues and revenue share to the carriers;
- As part of the application management process, we use our data, and post-install event data provided back to us by the advertisers, to match applications to end users. We currently target end users based on carrier, geography, demographics (including by handset type), among other attributes, by leveraging carrier data. We have discretion as to which applications are delivered to each end user;
- Pricing is established in our agreements with advertisers. We negotiate pricing with the advertisers, based on prevailing rates typical in the industry; and
- The Company is responsible for billing and collecting the gross amount from the advertiser. Our carrier agreements do not include any specific provisions that allow us to mitigate our credit risk by reducing the revenue share payable to the carrier.

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

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

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

Content and Billing

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

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

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

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

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

Comprehensive Loss

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Deposits

As of March 31, 2016, the Company has deposits of $213 comprised of facility and equipment lease deposits, as compared to $109 as of March 31, 2015.

Carrier Revenue Share and Content Provider License Fees

Carrier Revenue Share

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

Content Provider License Fees

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

Software Development Costs

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

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

The Company also applies the principles of FASB ASC 350-40, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use ("ASC 350-40"). ASC 350-40 requires that software development costs incurred before the preliminary project stage be expensed as incurred. We capitalize development costs related to these software applications once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. For fiscal 2016, 2015, and 2014 the Company capitalized software development costs in the amount of $1,263, $62, and $0.

Product Development Costs

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

Advertising Expenses

The Company expenses the costs of advertising the first time the advertising takes place. Advertising expense was $396, $406, and $186 in the years ended March 31, 2016, 2015, and 2014, respectively.

Fair Value of Financial Instruments

As of March 31, 2016 and 2015, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation, and other current liabilities approximates fair value due to the short-term nature of such instruments.

Foreign Currency Translation

The Company uses the United States dollar for financial reporting purposes. Assets and liabilities of foreign operations are translated using current rates of exchange prevailing at the balance sheet date. Equity accounts have been translated at their historical exchange rates when the capital transaction occurred. Statement of Operations amounts are translated at average rates in effect for the reporting period. The foreign currency translation adjustment loss of $(150), $147, and $67 in the years ended March 31, 2016, 2015, and 2014 has been reported as a component of comprehensive loss in the consolidated statements of stockholders' equity and comprehensive loss.

Concentrations of Credit Risk and Significant Customers

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 March 31, 2016, two major customers represented 15.6% and 11.0% of the Company's net accounts receivable balance within both the Content and Advertising businesses, respectively. As of March 31, 2015, the previously mentioned first major Content customer represented 21.1% 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 year ended March 31, 2016, the previously mentioned first major customer represented 26.1% of our consolidated net revenues. During the year ended March 31, 2015, the two previously mentioned major customers represented 50.6% and 11.1%, respectively, of our consolidated net revenues, and during the year ended March 31, 2014, the two previously mentioned major customers and a third major customer represented 45.8%, 22.2%, and 10.5% of our consolidated net revenues.

Property and Equipment

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

Goodwill and Indefinite Life Intangible Assets

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

Goodwill is tested annually during the fourth fiscal quarter and whenever events or circumstances indicate an impairment may have occurred. Based on the results of the annual impairment tests performed during the fourth quarter of fiscal 2016, no impairment of goodwill existed at March 31, 2016. See disclosure surrounding additional procedures performed by the Company in performing its fiscal 2016 annual impairment test at "Goodwill" in Note 9 of the Notes to the Consolidated Financial Statements.

Impairment of Long-Lived Assets and Finite Life Intangibles

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

There were no indications of impairment present or that the carrying amounts may not be recoverable during the fiscal years ended March 31, 2016 and March 31, 2015. In the fiscal year ended March 31, 2014, the Company determined that there was an impairment of intangible assets of $154 related to the change in trade names as the Company has rebranded its acquisitions under the Digital Turbine name. The impairment is detailed in Note 10 to our consolidated financial statements under Item 8 of this Annual Report.

Income Taxes

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

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

Stock-Based Compensation

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

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

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

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

Preferred Stock

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 842 (“ASC 842”), “Leases” which replaces the existing guidance in ASC 840, Leases. The amendment is effective for the Company for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASC 842 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use ("ROU") asset and a corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the ROU asset and for operating leases the lessee would recognize a straight-line total lease expense. The Company is evaluating the impact of the adoption on the consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update (“ASU”) No. 2015-17, Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”), which simplifies the presentation of deferred income taxes by eliminating the need for entities to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. The standard is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for financial statements that have not been previously issued. The ASU may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted this ASU on a prospective basis in the fourth quarter of the 2016 fiscal year.

In September 2015, the FASB issued accounting guidance which simplifies measurement period adjustments in a business combination under ASU 2015-16. The guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years and early adoption is permitted. The Company is evaluating the impact of the adoption on the consolidated financial statements.

In June 2015, the FASB issued ASU No. 2015-10, Technical Corrections and Improvements. The amendments in this update cover a wide range of topics in the Codification and are generally categorized as follows: Amendments Related to Differences between Original Guidance and the Codification; Guidance Clarification and Reference Corrections; Simplification; and Minor Improvements. The amendments in the ASU that require transition guidance are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. All other amendments were effective upon the issuance of the ASU on June 12, 2015.

In May 1, 2015, the FASB issued ASU No. 2015-5, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement ("ASU No. 2015-5") to reduce the diversity in practice, and reduce the costs and complexity of assessing fees paid in a Cloud Computing Arrangements ("CCA"). While the new standard does not provide explicit guidance on how to account for fees paid in a CCA, it does provide guidance on which existing accounting model should be applied. ASU No. 2015-5 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Company expects to adopt this guidance during its 2017 fiscal year and does not expect it will have a significant impact on its consolidated results of operations, financial condition and cash flows.

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 and early adoption is permitted. The Company expects to adopt this guidance during its 2017 fiscal year and does not expect it will have a significant impact on its consolidated results of operations, financial condition, and cash flows.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in this ASU provide guidance which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The ASU is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015.

In January 2015, the FASB issued ASU No. 2015-1, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20). The objective is to identify, evaluate, and improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to the users of the financial statements. The pronouncement is effective for reporting periods beginning after December 15, 2015. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

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

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

In May 2014, the FASB issued ASU 2014-9, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new standard is effective as of the first interim period within annual reporting periods beginning on or after December 15, 2018, and will replace most existing revenue recognition guidance in U.S. GAAP. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-9 will have on our consolidated financial statements and related disclosures. The Company has not yet selected a transition method or determined the effect of the standard on our financial position, results of operations, cash flows, or presentation thereof.

In April 2014, the FASB issued ASU 2014-8, Presentation of Financial Statements and Property, Plant, and Equipment: Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-8 limits the requirement to report discontinued operations to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments also require expanded disclosures concerning discontinued operations and disclosures of certain financial results attributable to a disposal of a significant component of an entity that does not qualify for discontinued operations reporting. These amendments are effective prospectively for reporting periods beginning on or after December 15, 2014, with early adoption permitted. The adoption of this ASU is not expected to have a material impact on our financial position, results of operations, cash flows, or presentation thereof.

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

5. Fair Value Measurements

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

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

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

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

6. Accounts Receivable

	March 31, 2016	March 31, 2015
Billed	$ 13,220	$ 8,408
Unbilled	4,763	4,464
Allowance for doubtful accounts	(464)	(698)
Accounts receivable, net	$ 17,519	$ 12,174

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 March 31, 2016 are expected to be billed and collected within twelve months.

The Company recorded $132, $505, and $13 of bad debt expense during the years ended March 31, 2016, 2015, and 2014.

7. Property and Equipment

	March 31, 2016	March 31, 2015
Computer-related equipment	$ 2,775	$ 727
Furnitures and fixtures	33	28
Leasehold improvements	74	32
	2,882	787
Accumulated depreciation	(1,098)	(173)
Property and equipment, net	$ 1,784	$ 614

Depreciation expense for the years ended March 31, 2016, 2015, and 2014 was $437, $98, and $87, respectively.

8. Description of Stock Plans

Employee Stock Plan

The Company is currently issuing stock awards under the Amended and Restated Digital Turbine, Inc. 2011 Equity Incentive Plan (the "2011 Plan"), which was approved and adopted by our stockholders by written consent on May 23, 2012. No future grants will be made under the previous plan, the 2007 Employee, Director and Consultant Stock Plan (the "2007 Plan"). In the year ended March 31, 2016, in connection with the acquisition of Appia, the Company assumed the Appia, Inc. 2008 Stock Incentive Plan (the "Appia Plan"). The 2011 Plan and 2007 Plan are collectively referred to as "Digital Turbine's Incentive Plans." Digital Turbine's Incentive Plans and the Appia Plan are all collectively referred to as the "Stock Plans."

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

The 2011 Plan reserves 20,000,000 shares for issuance, of which approximately 11,886,707 and 14,393,741 remained available for future grants as of March 31, 2016 and 2015, respectively.

Stock Option Agreements

Stock options granted under the Company's Incentive Plans typically vest over a three to four years 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, 2016, in connection the Appia acquisition, the Company exchanged stock options previously granted under the Appia Plan for options to purchase the shares of the Company's common stock. These assumed Appia options typically vest over a period of four years and generally expire within ten years from the date of grant. Compensation expense for all stock options is recognized on a straight-line basis over the requisite service period.

Restricted Stock Awards

Awards of restricted stock may be either grants of restricted stock or performance-based restricted stock units 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.

Stock Option Activity

The following table summarizes stock option activity for the Stock Plans during the years ended March 31, 2016 and 2015:

	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, 2014	3,467,810	$ 5.05	8.33	$ 2,318
Assumed through acquisitions (a)	245,955	0.64		
Granted	3,124,200	4.06		
Forfeited/Canceled	(994,874)	3.24		
Exercised	(53,333)	2.56		
Options Outstanding, March 31, 2015	5,789,758	4.65	8.35	1,319
Granted	3,959,150	2.05		
Forfeited/Canceled	(1,857,830)	3.37		
Exercised	(66,683)	0.77		
Options Outstanding, March 31, 2016	7,824,395	$ 3.61	8.24	$ 110
Vested and expected to vest (net of estimated forfeitures) at March 31, 2016 (b)	6,116,010	3.92	7.96	103
Exercisable, March 31, 2016	2,943,295	$ 5.42	6.57	$ 90

(a)During fiscal year ended March 31, 2015, in connection with the Appia acquisition, Digital Turbine, Inc. assumed approximately 246,000 stock options, with a weighted-average exercise price per share of $0.64.

(b)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 March 31, 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 March 31, 2016. The intrinsic value changes based on changes in the price of Digital Turbine's common stock.

Information about options outstanding and exercisable at March 31, 2016 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price
$0.00 - 0.50	8,065	$ 0.24	3.99	8,065	$ 0.24
$0.51 - 1.00	153,071	0.65	6.30	149,297	0.65
$1.01 - 1.50	2,064,650	1.38	5.05	6,250	1.18
$1.51 - 2.00	407,167	1.51	9.60	37,500	1.51
$2.01 - 2.50	253,776	2.43	4.83	170,443	2.41
$2.51 - 3.00	1,214,888	2.62	8.51	577,128	2.65
$3.51 - 4.00	1,626,634	3.93	8.67	718,717	3.93
$4.01 - 4.50	1,566,144	4.20	7.68	777,145	4.21
$4.51 - 5.00	60,000	4.65	6.99	60,000	4.65
$5.01 and over	470,000	$ 16.32	2.76	438,750	$ 17.06
	7,824,395			2,943,295	

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

	March 31,		
	2016	2015	2014
Total fair value of options vested	$ 5,288	$ 3,155	$ 580
Total intrinsic value of options exercised (a)	$ 3	$ 71	$ 554

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

The weighted-average grant-date fair value for the options granted during the fiscal years ended March 31, 2016, 2015, and 2014 was $1.60, $3.44, and $3.33 respectively.

At March 31, 2016 and March 31, 2015, there was $9,377 and $11,492 of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 2.6 years and 2.4 years, respectively.

Valuation of Awards

For stock options granted under Digital Turbine's Incentive Plans, Digital Turbine Inc. typically uses the Black-Scholes option pricing model to estimate the fair value of stock options at grant date. The Black-Scholes option pricing model incorporates various assumptions, including volatility, expected term risk-free interest rates, and dividend yields. The fair value of options assumed under the Appia Plan was estimated as of the March 6, 2015 closing date using the Black-Scholes option pricing model. The assumptions utilized in this model during fiscal 2016 and 2015 are presented below.

	March 31,		
	2016	2015	2014
Risk-free interest rate	1.37% to 2.27%	1.37% to 1.79%	1.36% to 1.71%
Expected life of the options	5.73 to 10 years	5.73 to 6 years	5.27 to 6 years
Expected volatility	78% to 145%	115% to 145%	150% to 155%
Expected dividend yield	—%	—%	—%
Expected forfeitures	10% to 35%	10% to 35%	10% to 35%

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

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

	Year Ended March 31,		
	2016	2015	2014
Product development	$ —	$ —	$ —
Sales and marketing	—	—	—
General and administrative	5,963	6,340	4,693
Total	$ 5,963	$ 6,340	$ 4,693

9. Goodwill

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

	Content	O&O	A&P	Total
Goodwill as of March 31, 2013	$ 2,523	$ 1,065	$ —	$ 3,588
Adjustments	1,249	—	—	1,249
Goodwill as of March 31, 2014	$ 3,772	$ 1,065	$ —	$ 4,837
Adjustments	1,472	41,203	29,235	71,910
Goodwill as of March 31, 2015	5,244	42,268	29,235	76,747
Adjustments	—	—	(126)	(126)
Goodwill as of March 31, 2016	$ 5,244	$ 42,268	$ 29,109	$ 76,621

Fair value is defined under ASC 820, Fair Value Measurements and Disclosures as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company considered the income and market approaches to derive an opinion of value. Under the income approach, the Company utilized the discounted cash flow method, and under the market approach, consideration was given to the guideline public company method, the merger and acquisition method, and the market capitalization method.

Goodwill is recorded when the purchase price for an acquisition exceeds the estimated fair value of the net tangible and identified intangible assets acquired. Goodwill is allocated to our reporting units based on relative fair value of the future benefit of the purchased operations to our existing business units as well as the acquired business unit. Reporting units may be operating segments as a whole or an operation one level below an operating segment, referred to as a component. Our reporting units are consistent with the operating segments identified in Part I, Item 1 under the section “Business” of this Form 10-K.

We perform an annual impairment assessment in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the fair value of a reporting unit in which goodwill resides is less than its carrying value. For reporting units in which this assessment concludes that it is more likely than not that the fair value is more than its carrying value, goodwill is not considered impaired and we are not required to perform the two-step goodwill impairment test. Qualitative factors considered in this assessment include industry and market considerations, overall financial performance, and other relevant events and factors affecting the reporting unit.

For reporting units in which the impairment assessment concludes that it is more likely than not that the fair value is less than its carrying value, we perform the first step of the goodwill impairment test, which compares the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform additional analysis. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we must perform the second step of the goodwill impairment test to determine the implied fair value of the reporting unit’s goodwill. If we determine during the second step that the carrying value of a reporting unit’s goodwill exceeds its implied fair value, we record an impairment loss equal to the difference.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The goodwill impairment test we utilized in the fourth quarter ended March 31, 2016 utilized an income method to estimate a reporting unit’s fair value. The Company believes that the income method is the best method of determining fair value for our Company. The income method is based on a discounted future cash flow approach that uses the following reporting unit estimates: revenue, based on assumed growth rates; estimated costs; and appropriate discount rates based on a reporting unit's weighted average cost of capital as determined by considering the observable weighted average cost of capital of comparable companies. We test the reasonableness of the inputs and outcomes of our discounted cash flow analysis against available comparable market data and against the Company’s market capitalization value which includes a control premium estimate. A reporting unit’s carrying value represents the assignment of various assets and liabilities.

Based on the valuation performed for fiscal 2016, all goodwill reporting units have an estimated fair value in excess of their respective carrying values. The estimated fair values of two of the goodwill reporting units exceeded their carrying values by over 10%. One of the goodwill reporting unit’s estimated fair value exceeded the carrying value by less than 10%.

As a result of all goodwill reporting units having an estimated fair value in excess of their respective carrying values, the second step of the goodwill impairment test was not necessary.

In the year ended March 31, 2016, the Company adjusted the purchase price allocation of DTM due to the finalization of the working capital adjustment, which resulted in a net decrease in goodwill of $126.

In the year ended March 31, 2015, the Company finalized the purchase price allocation of MIA, which resulted in an adjustment to goodwill of $1,472, and acquired XYO and Appia, Inc. which resulted in an increase in goodwill of$1,000 and $69,438, respectively.

In the year ended March 31, 2014, there was a net increase in goodwill of $1,249, which included an increase in goodwill of $1,182 related to acquisition of MIA, an increase in goodwill of $209 related to adjustment to goodwill for tax, and a decrease in goodwill of $142 related to discontinued operations.

10. Intangible Assets

We make judgments about the recoverability of purchased finite-lived intangible assets whenever events or changes in circumstances indicate that an impairment may exist. Recoverability of finite-lived intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted cash flows that the asset is expected to generate. We perform an annual impairment assessment in the fourth quarter of each year for indefinite-lived intangible assets, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the assets may not be recoverable. Recoverability of indefinite-lived intangible assets is measured by comparing the carrying amount of the asset to the future undiscounted cash flows that the asset is expected to generate. If we determine that an individual asset is impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

The assumptions and estimates used to determine future values and remaining useful lives of our intangible and other long-lived assets are complex and subjective. They can be affected by various factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our forecasts.

We complete our annual impairment tests in the fourth quarter of each year unless events or circumstances indicate that an asset may be impaired. There were no other indications of impairment present during the fiscal year ended March 31, 2016. In the fiscal year ended March 31, 2015, the Company determined there to be a need to accelerate amortization expense by $224 due to the Company's decision to stop using the Appia trade name, rename, and re-brand the trademarks acquired through the Appia acquisition. There were no other indications of impairment present during the period ended March 31, 2015. In the fiscal year ended March 31, 2014, the Company recorded an impairment charge of $154 to write down trade names pursuant to its decision to rename and rebrand the subsidiaries under DT to DT EMEA and DT APAC. There were no other indications of impairment present during the period ended March 31, 2014.

The components of intangible assets as at March 31, 2016 and 2015 were as follows:

	As of March 31, 2016		
	Cost	Accumulated Amortization	Net
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	$ 23,579	$ (11,089)	$ 12,490

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

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

During the years ended March 31, 2016, 2015, and 2014, the Company recorded amortization expense in the amount of $10,537, $2,010, and $1,769, respectively.

Included in the $10,537 amortization expense recorded during the year ended March 31, 2016 is $2,404 of amortization expense recorded for customer relationship intangible assets related to a customer relationship the Company terminated from our September 2012 acquisition of Logia Mobile Ltd.

In connection with the Company's investment in Sift, the Company recorded approximately a $1,874 reduction to the cost basis of internal use software acquired in the Appia Inc. transaction as the licensing technology in the Sift agreement was specifically tied to such software. We do not expect any further adjustments to the software intangibles related to this transaction.

Based on the amortizable intangible assets as of March 31, 2016, we estimate amortization expense for the next five years to be as follows:

As of Year Ending March 31,	Amortization Expense
2017	$ 7,129
2018	2,530
2019	1,756
2020	271
2021	114
Future	690
Total	$ 12,490

Below is a summary of intangible assets:

	Intangible Assets
Balance as of March 31, 2013	4,757
Amortization of intangibles	(1,769)
Acquisition	6,826
Impairment	(154)
Disposal of subsidiary	(586)
Balance as of March 31, 2014	9,074
Amortization of intangibles	(2,010)
Purchase price allocation adjustment	(1,472)
Acquisition of XYO	1,500
Acquisition of Appia	17,780
Capitalized developed software	64
Balance as of March 31, 2015	24,936
Amortization of intangibles	(8,168)
Customer relationship intangible asset write-off	(2,404)
Reduction in software intangibles related to Sift Transaction	(1,874)
Balance as of March 31, 2016	$ 12,490

11. Debt

	March 31, 2016	March 31, 2015
Short-Term Debt		
Term loan, principal	$ —	$ 600
Revolving line of credit, principal	3,000	3,000
Senior secured debenture, net of discounts of $440 and $0, respectively	7,560	—
Total	$ 10,560	$ 3,600

	March 31, 2016	March 31, 2015
Long-Term Debt		
Senior secured debenture, net of discounts of $0 and $910, respectively	$ —	$ 7,090

Senior Debt

On March 6, 2015, in connection with the Company’s acquisition of Appia, Inc., DT Media entered into a Second Amended and Restated Loan and Security Agreement with SVB in connection with the closing of the Appia, Inc. acquisition, which included a term loan and revolving line of credit. This amendment replaced and restated Appia Inc's prior loan agreement with SVB, and was then amended and restated in June 2015 (as described under "Revolving Line of Credit"). As of March 31, 2016, the term loan has been fully paid off, whereas at March 31, 2015 the balance was $600.

Revolving Line of Credit

On June 11, 2015, DT Media, and SVB, entered into a Third Amended and Restated Loan and Security Agreement, pursuant to which SVB agreed to amend and restate the existing Second Amended and Restated Loan and Security Agreement to increase the revolving line of credit available under such facility from $3,500 to $5,000, to extend the maturity date under the facility from June 30, 2015 to June 30, 2016, and to make certain other changes to the terms of the existing agreement.

The revolving line of credit under this amendment allows DT Media to borrow up to the lesser of $5,000 or the Borrowing Base, which is 80% of eligible accounts receivable after consideration of other amounts outstanding, under the revolving line of credit. At March 31, 2016 and March 31, 2015, DT Media had borrowed $3,000 under the revolving line. The revolving line matures on June 30, 2016, with interest payable monthly at a floating annual rate equal to (a) during any month for which DT Media 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 March 31, 2016, the interest rate was 6.25%.

On November 30, 2015, DT Media and SVB, entered into an amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015. Pursuant to this amendment, the adjusted EBITDA financial covenant was removed and replaced with the requirement to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if the Company’s cash and cash equivalents held at SVB or SVB's Affiliates is greater than or equal to $15,000. Furthermore, the Streamline Period, which is not a financial covenant but applies to application of receivables, was amended so that it is achieved if DT Media’s trailing three-month period revenue is not less than 85% of projections for the three months ending August 31, 2015 through November 30, 2015, 75% of projections for the three months ending December 31, 2015 and thereafter, with the projected revenue for such three month period as set forth in DT Media’s operating budget provided to SVB. This amendment also added the requirement for the Company to deliver consolidated financial statements in addition to DT Media. At March 31, 2016, DT Media and the Company were compliant with all covenants. The Company was non-Streamline as of March 31, 2016.

DT Media’s obligations under this amendment are secured by substantially all of DT Media’s assets. Additionally, Digital Turbine, Inc. has guaranteed DT Media’s obligations under this amendment, and pledged substantially all of its assets, including its intellectual property, to SVB in support of this amendment.

Pursuant to the amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015, entered into by DT Media and SVB on November 30, 2015, the covenant requirement was put in place for the Company to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if the Company’s cash and cash equivalents held at SVB or SVB's Affiliates is greater than or equal to $15,000. As of April 30, 2016, given the Company did not meet the requirements set forth in (a) and (b) noted previously, the Company was required to maintain an adjusted quick ratio of not less than 0.90:1.00. As of April 30, 2016, the Company's quick ratio was estimated at 0.89 versus the 0.90 minimum level.

On June 10, 2016, prior to the required testing of the above-mentioned covenant, SVB and DT Media entered into a Consent Agreement, effective as of May 31, 2016, whereby SVB provided its consent to DT Media (for a de minimis fee) to not exercise any rights or remedies solely in connection with the non-compliance with such covenant for the period ended April 30, 2016, without which consent DT Media would have been in default of the Loan Agreement. Please see "Risk Factors" included in PART I Item 1A. of this Annual Report on Form 10-K within section "General Risk - The Company has secured indebtedness, which could limit its financial flexibility", regarding financial covenant compliance.

Subordinated Debenture and Warrant

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

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

DT Media's obligations under the New Debenture are secured by all of DT Media's assets; additionally, Digital Turbine, Inc. has guaranteed DT Media's obligations under the New Debenture, and pledged substantially all of its assets, including its intellectual property, to North Atlantic in support of the New Debenture. The New Debenture is subordinated to the 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 would have terminated if the Company had repaid the New Debenture prior to such one year anniversary. The value of the common shares, and the estimated value of the warrant, have been recorded as debt discount and are being amortized over the term of the New Debenture during the years ended March 31, 2016, 2015. During the years ended March 31, 2016 and 2015, debt discount amortized amounted to $470 and $34, respectively, with the debt discount balance amounting to $440 and $910 at March 31, 2016 and 2015, respectively.

On February 17, 2016, DT Media and North Atlantic, entered into an amendment to the Securities Purchase Agreement dated March 6, 2015 where DT Media agreed to the prepayment premium in the table below if the debt is retired within the date ranges set forth. Although the Company's debt to North Atlantic is not due until March 6, 2017, if the debt is not retired by May 6, North Atlantic has a right to receive a warrant for 400,000 shares (0.6% of outstanding as of March 31, 2016) and a board observer right. As the Company is in discussions to refinance its debt, it sought to defer the issuance of the warrant (and board observer rights) in exchange for the prepayment premium. Accordingly, pursuant to this amendment, the warrant vesting was modified to May 6, 2016.

Period	Prepayment Premium	
From March 6, 2016 to and including April 6, 2016	$	40
From April 7, 2016 until the maturity date	$	80

On May 6, 2016, DT Media and North Atlantic, entered into a Second Amendment to Securities Purchase Agreement, where DT Media 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") and provided that the vesting date may be further extended by North Atlantic to no later than June 22, 2016, if North Atlantic believes, in its reasonable discretion, that (i) DT Media is unable to refinance the obligations by the vesting date, (ii) reasonable progress has been made by DT Media in refinancing the obligations, and (iii) in all likelihood, DT Media will be able to refinance the obligations by June 22, 2016. If these conditions are not satisfied or the debt is not refinanced by June 15, 2016, then a warrant for 400,000 shares would be issued to North Atlantic and North Atlantic would receive a board observer. The payment of $140 to North Atlantic was in lieu of any prepayment premium described above.

On June 13, 2016, DT Media and North Atlantic entered into a Third Amendment to Securities Purchase Agreement, where DT Media agreed to pay North Atlantic the amount of $60 as consideration to extend the Retirement Date to July 15, 2016.

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 March 31, 2016, DT Media and the Company were compliant with all such covenants.

The Company's required principal repayments for its outstanding debt as of March 31, 2016, are as follows:

	Revolving Line of Credit	Subordinated Debenture
June 30, 2016	$ 3,000	$ —
March 6, 2017	—	8,000
Total	$ 3,000	$ 8,000

12. Related-Party Transactions

On December 28, 2015, DT Media entered into a license with respect to certain of DTM's intellectual property assets with Sift, in exchange for 9.9% of Sift's newly-issued Preferred Stock and a cash payment of $1,000. Judson Bowman, a Director at the time of the transaction, is the founder, CEO, and majority shareholder of Sift. Mr Bowman has subsequently stepped down from Digital Turbine's board effective January 25, 2016. For so long as DT Media holds Preferred Stock in Sift, DT Media shall be entitled to nominate for election one member of the five-member Board of Sift, which DT Media nominated as director Bill Stone, CEO of Digital Turbine.

The investment in Sift's Preferred Stock is recorded at cost, equal to its fair value at the date of issuance of $999.

13. 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 holders are entitled to: (1) vote on an equal per share basis as common stock, (2) dividends paid to the common stock holders on an as if-converted basis and (3) a liquidation preference equal to the greater of $10 per share of Series A (subject to adjustment) or such amount that would have been paid to the common stock holders on an as if-converted basis.

Common Stock and Warrants

In April 2015, the Company issued 452,974 unregistered shares of common stock of the Company to a director for the cashless exercise of 666,667 warrants granted in June 2010. See additional disclosure regarding the issuance of unregistered shares at "PART II - OTHER INFORMATION", section "Item 2. Unregistered Sales of Equity Securities and Use of Proceeds."

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

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

In July 2015, the Company issued 40,116 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 July 2015, the Company cancelled 10,874 shares of common stock held in escrow related to the finalization and post-closing adjustment to the acquisition of DT Media (Appia, Inc.) during March 2015.

In July 2015, the Company issued 117,000 shares of common stock for the settlement of a liability. For more details on the settlement of this liability, see section "Settlement of Potential Claim" detailed in Note 18 to our Consolidated Financial Statements included in PART II, Item 8 of this Annual Report on Form 10-K.

In September 2015, the Company issued 19,425 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 October 2015, the Company issued 8,740,000 shares in its public offering on October 2, 2015, netting cash proceeds to the Company of $12,627.

In October 2015, the Company issued 1,227 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 November 2015, the Company issued 2,248 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 November 2015, the Company issued 210,728 shares of common stock of the Company to its directors for services. The shares vest over one year. The fair value of the shares on the date of issuance was $318.

In January 2016, the Company cancelled 23,841 shares of common stock for Judson Bowman, who resigned from his position as director of the Company to run the Sift organization, where he is the founder, CEO, and majority shareholder.

In February 2016, the Company issued 23,200 shares of common stock of the Company to a director for services. The shares vest over pro-rata through July 31, 2016. The fair value of the shares on the date of issuance was $25.

Restricted Stock Agreements

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

Performance and Market Condition RSAs

On December 28, 2011, the Company issued 3,170,000 restricted shares with vesting criteria based on both performance and market conditions. On December 28, 2011, one third of the restricted shares vested. On July 3, 2013, the second one third of the restricted shares vested. During fiscal 2015, the Company vested 594,372 shares and cancelled 8,131 shares of the final one third of the 3,170,000 restricted shares, leaving 454,164 shares unvested. During fiscal 2015, the remaining expense related to these RSAs of $1,967 was recorded leaving these RSAs fully expensed as of March 31, 2015. During the year ended March 31, 2016, the Company cancelled the remaining 454,164 shares, as the vesting criteria based on both performance and market conditions were not met.

Service and Time Condition RSAs

On various dates during the years ended March 31, 2016 and March 31, 2015, the Company issued 233,928 and 267,195 restricted shares, respectively, with vesting criteria based on both service and time conditions.

In November 2015, the Company issued 210,728 restricted shares with vesting criteria based on both service and time conditions. For accounting purposes, the Company determined the grant date fair value to be $1.51 per share which is the closing price of the Company's stock price on November 4, 2015.

In January 2016, the Company issued 23,200 restricted shares with vesting criteria based on both service and time conditions. For accounting purposes, the Company determined the grant date fair value to be $1.06 per share which is the closing price of the Company's stock price on January 26, 2016.

With respect to service and time condition RSAs, during the years ended March 31, 2016 and March 31, 2015, the Company expensed $867 and $956 related to time condition RSAs, respectively. As of March 31, 2016, 110,046 remain unvested.

Total non-vested restricted stock awards and activities for all vesting conditions for periods ended March 31, 2016 and March 31, 2015, respectively, were as follows:

	Number of Shares		Weighted-Average Grant Date Fair Value
Unvested restricted stock outstanding as of March 31, 2014	1,365,010	$	3.22
Granted	267,195		3.60
Vested	(981,731)		3.48
Cancelled	(8,131)		3.31
Unvested restricted stock outstanding as of March 31, 2015	642,343		3.04
Granted	233,928		1.47
Vested	(288,220)		2.97
Cancelled	(478,005)		2.82
Unvested restricted stock outstanding as of March 31, 2016	110,046	$	1.45

All restricted shares, vested and unvested, cancellable and not cancelled, have been included in the outstanding shares as of March 31, 2016.

At March 31, 2016 and March 31, 2015, there was $159 and $876, respectively, of unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested restricted stock awards expected to be recognized over a weighted-average period of approximately 0.34 and 0.22 years, respectively.

14. Net Loss per Common 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. Because the Company had net losses for the twelve months ended March 31, 2016, 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):

	Years Ended March 31,		
	2016	2015	2014
Net loss from continuing operations, net of taxes	$ (28,032)	$ (24,647)	$ (17,202)
Weighted-average common shares outstanding, basic and diluted	61,763	38,967	27,478
Basic and diluted net loss per common share	$ (0.46)	$ (0.63)	$ (0.68)
Common stock equivalents excluded from net loss per diluted share because their effect would have been anti-dilutive	1,438,355	1,574,372	1,169,555

15. Employee Benefit Plans

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

16. Income Taxes

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

	Year Ended March 31, 2016	Year Ended March 31, 2015	Year Ended March 31, 2014
Current U.S. federal	$ —	$ —	$ —
Current state and local	—	25	—
Current non-U.S.	270	324	(272)
Total current	270	349	(272)
Deferred U.S. federal	—	—	—
Deferred state and local	—	—	—
Deferred non-U.S.	(56)	398	—
Total deferred	(56)	398	—
Total income tax provision	$ 214	$ 747	$ (272)

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

	Year Ended March 31, 2016	Year Ended March 31, 2015	Year Ended March 31, 2014
Statutory federal income taxes	$ (9,736)	$ (8,365)	$ (6,017)
State income taxes, net of federal benefit	—	17	(765)
Non-deductible expenses	821	2,171	895
Rate change	(224)	—	—
Change in uncertain tax liability	(123)	324	(136)
Change in valuation allowance	10,106	6,600	5,751
Return-to-provision adjustments	(630)	—	—
Income tax provision/(benefit)	$ 214	$ 747	$ (272)

Deferred tax assets and liabilities consist of the following:

	Year Ended March 31, 2016	Year Ended March 31, 2015	Year Ended March 31, 2014
Deferred income tax assets			
Net operating loss carryforward	$ 31,840	$ 25,668	$ 19,621
Stock-based compensation	1,965	1,270	15,360
Credit carryforwards	129	123	268
Other	1,469	1,324	425
Gross deferred income tax assets	35,403	28,385	35,674
Valuation allowance	(32,026)	(21,920)	(35,154)
Net deferred income tax assets	$ 3,377	$ 6,465	$ 520
Deferred income tax liabilities			
Depreciation and amortization	$ (754)	$ (751)	$ —
Intangibles and goodwill	(1,947)	(5,069)	(269)
Other	(175)	(780)	—
Net deferred income tax assets/(liabilities)	$ 501	$ (135)	$ 251

As of March 31, 2016, the Company had net operating loss (NOL) carry-forwards for U.S. federal and state tax of approximately $79,220, Australia federal tax of approximately $5,500, and Israel federal tax of approximately $1,500. The U.S.

federal and state NOLs expire between 2028 and 2036, and the Australia and Israel NOLs have an unlimited carryover period. Utilization of the NOLs in the U.S. are subject to annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as similar state and foreign limitations. These ownership changes limit the amount of NOLs that can be utilized annually to offset future taxable income and tax, respectively. In general, an "ownership change" as defined by Section 382 of the Code results from a transaction or series of transactions over a three-year period resulting in an ownership change of more than 50% percentage points of the outstanding stock of a company by certain stockholders or public groups.

As of March 31, 2016, realization of a large portion of the Company's gross deferred tax assets was not considered more likely than not and, accordingly, a valuation allowance of $32,026 has been provided. During the year ended March 31, 2016, the valuation allowance increased by $10,106.

ASC 740 requires the consideration of a valuation allowance, on a jurisdictional basis, to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. Based on the history of cumulative book and tax losses, a valuation allowance has been recorded for assets that management believes are not more likely than not realizable.

ASC 740 provides guidance on the minimum threshold that an uncertain income tax position is required to meet before it can be recognized in the financial statements. ASC 740 contains a two-step approach to recognizing and measuring uncertain income tax positions. The first step is to evaluate the income tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit can be recorded. We recognize accrued interest and penalties related to uncertain income tax positions in income tax expense on our consolidated statement of income.

The Company's income is subject to taxation in both the U.S. and foreign jurisdictions. Significant judgment is required in evaluating the Company's tax positions and determining its provision for income taxes. The Company establishes liabilities for income tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These liabilities for tax contingencies are established when the Company believes that a tax position is not more likely than not sustainable. The Company adjusts these liabilities in light of changing facts and circumstances, such as the outcome of a tax audit or lapse of a statute of limitations. The provision for income taxes includes the impact of uncertain tax liabilities and changes in liabilities that are considered appropriate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended March 31, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Balance at April 1	$ 905	$ 61	$ 61
Additions for tax position of prior years	—	844	—
Reductions for tax positions of prior years	(122)	—	—
Balance at March 31	$ 783	$ 905	$ 61

Included in the balances at March 31, 2016, 2015 and 2014 are $783, $905, and $61, respectively, of unrecognized tax benefits, which would affect the annual effective tax rate if recognized. The Company recognized an interest benefit of $1 on uncertain income tax liabilities in its statement of operations for the year ended March 31, 2016. The Company recognized interest expense and penalties on uncertain income tax liabilities of $33 and $0 in its statement of operations for the years ended March 31, 2015 and 2014, respectively. The Company expects the amount of unrecognized tax benefits to decrease by approximately $140 in the next twelve months.

The Company's U.S. federal, state, and foreign income tax returns generally remain subject to examination for the tax years ended 2012 through 2016.

17. Segment and Geographic Information

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

The Company manages its business in three operating segments: Operators and OEMs ("O&O"), Advertisers and Publishers, 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 280-10-50-11and determined that aggregation is consistent with the objectives of ASC 280 in that aggregation into two reportable segments allows users of our financial statements to view the Company's business through the eyes of management based upon the way management reviews performance and makes decisions. Additional factors that were considered included: whether or not the operating segments have similar economic characteristics, the nature of the products/services under each operating segment, the nature of the production/go to market process, the type and geographic location of our customers, and the distribution of our products/services.

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

The following information sets forth segment information on our net revenues and loss from operations for the years ended March 31, 2016, 2015, and 2014. 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
Year ended March 31, 2016			
Net revenues	$ 28,765	$ 57,776	$ 86,541
Loss from operations	$ (7,603)	$ (18,333)	$ (25,936)
Year ended March 31, 2015			
Net revenues	$ 22,009	$ 6,243	$ 28,252
Loss from operations	$ (13,300)	$ (10,437)	$ (23,737)
Year ended March 31, 2014			
Net revenues	$ 23,635	$ 769	$ 24,404
Loss from operations	$ (11,969)	$ (3,555)	$ (15,524)

The following information sets forth geographic information on our net revenues and net property and equipment for the years ended March 31, 2016, 2015, and 2014. Revenues by geography are based on the billing addresses of our customers. The following table sets forth revenues and long-lived assets by geographic area. One major carrier customer in our Content business accounted for 26.1% of our consolidated net revenues during the year ended March 31, 2016, and this major carrier customer and another major carrier customer in our Content business accounted for 50.6% and 11.1% of our consolidated net revenues during the year ended March 31, 2015. During the year ended March 31, 2014, the two previously mentioned major customers and a third major customer represented 45.8%, 22.2%, and 10.5% of our consolidated net revenues.

	Year Ended March 31,					
	2016		2015		2014	
Net revenues						
United States & Canada	$	28,813	$	5,976	$	167
Europe, Middle East, & Africa		15,587		2,202		4,060
Asia Pacific & China		41,661		20,074		20,107
Mexico, Central America, & South America		480		—		70
Consolidated net revenues	$	86,541	$	28,252	$	24,404
Property and equipment, net						
United States & Canada	$	1,376	$	289	$	68
Europe, Middle East, & Africa		94		32		70
Asia Pacific & China		314		293		327
Mexico, Central America, & South America		—		—		—
Consolidated property and equipment, net	$	1,784	$	614	$	465

18. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities and equipment under non-cancelable operating leases expiring in various years through 2026.

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

Year ending March 31,			
	2017	$	941
	2018		955
	2019		814
	2020		577
	2021		487
Thereafter			525
Total minimum lease payments		$	4,299

These amounts do not reflect future escalations for real estate taxes and building operating expenses. Rental expense for continuing operations amounted to $804, $629 and $250, for the years ended March 31, 2016, 2015, and 2014, respectively.

Other Obligations

As of March 31, 2016, the Company was obligated for payments under various employment contracts with initial terms greater than one year at March 31, 2016. Annual payments relating to these commitments at March 31, 2016 are as follows:

Year ending March 31,			
	2017	$	620
Total minimum payments		$	620

The Company is not obligated for payments beyond fiscal 2017.

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. 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. 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 $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.

Settlement of Potential Claim

The Company had a disagreement with an investor of the Company regarding their respective rights and obligations to each other regarding certain investments. Although no claims have been made as of March 31, 2015, each of the parties recognizes that the disagreements they have had could, in the future, lead to claims being made and believe it is in their respective best interests to avoid such claims by entering into an agreement whereby the Company has offered to settle the matter in exchange for a certain number of shares of common stock of the Company. A settlement was finalized on July 30, 2015, which resulted in the issuance of 117,000 shares. The Company initially accrued $381 for the settlement of this liability during Q4 fiscal 2015. During Q2 fiscal 2016, the Company settled this liability by issuing the 117,000 with a fair market value of approximately $283, resulting in a net reduction in expense related to the partial reversal of the liability during Q2 fiscal 2016 in the amount of $98.

19. Supplemental Consolidated Financial Information

Unaudited Quarterly Results

The following tables set forth our quarterly consolidated statements of operations in dollars for each quarter of fiscal 2016 and 2015. We have prepared the quarterly consolidated statements of operations data on a basis consistent with the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. In the opinion of management, the financial information in these tables reflects all adjustments, consisting only of normal recurring adjustments that management considers necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included in Part II, Item 8 of this Annual Report on Form 10-K. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended							
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	(in thousands, except per share amounts)							
Net revenues	$ 23,032	$ 24,089	$ 20,734	$ 18,686	$ 10,230	$ 7,006	$ 5,462	$ 5,554
License fees and revenue share	17,296	18,569	16,099	14,221	8,389	4,609	3,316	3,796
Other direct cost of revenues	2,084	1,704	4,558	2,191	908	413	345	344
Gross profit	3,652	3,816	77	2,274	933	1,984	1,801	1,414
Total operating expenses	9,028	9,081	8,221	9,425	9,954	7,375	6,446	6,094
Loss from operations	(5,376)	(5,265)	(8,144)	(7,151)	(9,021)	(5,391)	(4,645)	(4,680)
Interest income/(expense), net	(449)	(471)	(405)	(491)	(111)	5	(131)	3
Foreign exchange transaction gain/(loss)	(9)	(8)	(13)	1	—	39	(1)	(6)
Change in fair value of warrant derivative liabilities loss		—	—	—	—	—	—	—
Loss on extinguishment of debt		—	—	—	—	—	—	—
Gain/(loss) on settlement of debt		—	—	—	—	1	—	(10)
Gain/(loss) on disposal of fixed assets	(6)	(8)	—	(23)	—	—	—	2
Gain on change in valuation of long-term contingent liability		—	—	—	—	—	—	—
Other income/(expense)	(20)	(8)	11	17	59	(25)	3	9
Loss from operations before income taxes	(5,860)	(5,760)	(8,551)	(7,647)	(9,073)	(5,371)	(4,774)	(4,682)
Income tax provision	(32)	3	(229)	472	278	114	427	(72)
Net loss from continuing operations, net of taxes	(5,828)	(5,763)	(8,322)	(8,119)	(9,351)	(5,485)	(5,201)	(4,610)
Basic and diluted net loss per common share	$ (0.09)	$ (0.09)	$ (0.14)	$ (0.14)	$ (0.22)	$ (0.15)	$ (0.14)	$ (0.12)
Weighted-average common shares outstanding, basic and diluted	66,278	65,979	57,274	57,388	43,219	37,799	37,504	37,424

Quarterly Trends and Seasonality

Our overall operating results fluctuate from quarter to quarter as a result of a variety of factors, some of which are outside our control. We have experienced rapid growth since the acquisition of Appia, Inc. on March 6, 2015, which has resulted in a substantial increase in our revenue and a corresponding increase in our operating expenses to support our growth. We are continuously working on enhancing our technology and our operational abilities. This rapid growth has also led to uneven overall operating results due to changes in our investment in sales and marketing and research and development from quarter to quarter and increases in employee headcount. Our historical results should not be considered a reliable indicator of our future results of operations.

Many advertisers spend the largest portion of their advertising budgets during the third quarter, to coincide with the holiday shopping season. As a result, typically the third quarter of each calendar year historically represents the largest percentage of our revenue for the year, and the first quarter of each year represents the smallest percentage.

Valuation and Qualifying Accounts

Fiscal Year	Description	Balance at Beginning of Period	Charged to Income Statement	Charged to Allowance	Balance at End of Period
			(in thousands)		
Trade receivables					
2016	Allowance for doubtful accounts	$ 698	$ 132	$ 366	$ 464
2015	Allowance for doubtful accounts	—	505	(193)	$ 698
2014	Allowance for doubtful accounts	108	13	121	$ —

20. Subsequent Events

Management evaluated subsequent events after the balance sheet date of March 31, 2016 through the date these audited financial statements were issued and concluded that no other material subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements, other than the following:

Pursuant to the amendment to the Third Amended and Restated Loan and Security Agreement dated June 11, 2015, entered into by DT Media and SVB on November 30, 2015, the covenant requirement was put in place for the Company to maintain an adjusted quick ratio of not less than 0.90:1.00 unless (a) there are no advances outstanding under the revolving facility, or (b) if the Company's cash and cash equivalents held at SVB or SVB's Affiliates is greater than or equal to $15,000. As of April 30, 2016, given the Company did not meet the requirements set forth in (a) and (b) noted previously, the Company was required to maintain an adjusted quick ratio of not less than 0.90:1.00. As of April 30, 2016, the Company's quick ratio was estimated at 0.89 versus the 0.90 minimum level.

On June 10, 2016, prior to the required testing of the above-mentioned covenant, SVB and DT Media entered into a Consent Agreement, effective as of May 31, 2016, whereby SVB provided its consent to DT Media (for a de minimis fee) to not exercise any rights or remedies solely in connection with the non-compliance with such covenant for the period ended April 30, 2016, without which consent DT Media would have been in default of the Loan Agreement. Please see "Risk Factors" included in PART I Item 1A. of this Annual Report on Form 10-K within section "General Risk - The Company has secured indebtedness, which could limit its financial flexibility", regarding financial covenant compliance.

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

None.

CONTROLS AND PROCEDURES

ITEM 9A.

Evaluation of Disclosure Controls and Procedures

Under the supervision of and with the participation of our management, including our chief executive officer, who is our principal executive officer, and our chief financial officer, who is our principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2016, the end of the period covered by this Annual Report. The term "disclosure controls and procedures," as set forth in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2016 our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were ineffective due to the material weakness described below. As a result, the disclosure controls and procedures were ineffective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reporting within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Controls Over Financial Reporting

In fiscal 2015 DT Media (formerly known as Appia, Inc.) was not included in the scope of the review of our internal controls. DT Media was included in the scope of our internal controls review in fiscal year 2016. David Wesch became our Acting Chief Accounting Officer after the resignation of James Alejandro, our prior Chief Accounting Officer.

See "Completed Actions" subsection below which summarizes additional changes in internal controls over financial reporting.

Other than as described above, there were no changes in our internal controls over financial reporting or in other factors identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) or 15d-15(d) that occurred during the fiscal period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal controls over financial reporting were ineffective as of March 31, 2016 because of the material weakness described below.

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

Material Weakness

Management identified control deficiencies that in the aggregate represent a material weakness in our internal control over financial reporting as of March 31, 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We have identified deficiencies in the design and/or operations of our controls associated with the Financial Close and Reporting process that in the aggregate represent a material weakness including: (i) deficiencies in control design and operating effectiveness relating to manual processes performed in spreadsheets used for consolidation and stock compensation; (ii) deficiencies in operating effectiveness of controls over reconciliations of balance sheet accounts and review of journal entries; and (iii) deficiencies in operating effectiveness of controls over review of financial statements for compliance with GAAP and SEC reporting requirements. Additionally, we have identified deficiencies in the design and operations of our controls over information technology that represent a material weakness relating to deficiencies in control design, including lack of formal documentation of controls, and monitoring.

In light of the material weakness in internal control over financial reporting described above, we performed additional analysis and other post-closing procedures to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. Despite the material weakness in our internal controls over financial reporting, we believe that the financial statements included in our Form 10-K for the period ended March 31, 2016 fairly present, in all material respects, our financial condition, results of operations, changes in stockholders' deficiency and cash flows for the periods presented.

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

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

Remedial Actions

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 over the next 12 months to remediate the material weakness.

Completed Actions

- Hired a Chief Accounting Officer "CAO" on February 27, 2015 (who recently resigned; Mr. David Wesch is now our current Acting CAO). The CAO hired during fiscal 2015 was with the Company for all of fiscal 2016 and through the year end close process.
- Implemented a management representation letter in which key members of management and accounting/finance staff attest to certain questions related to the financial statements.
- Implemented a Company signature authority policy, which outlines requirements and signing authority for executing contracts.
- Implemented expense reporting tool in the US.
- Implemented a process for contract reviews, operating expense actual versus budget reviews, and strengthened policies and procedures for balance sheet reconciliations and reviews.
- Documented key accounting policies, including policies for revenue recognition, goodwill and intangibles, journal entries, accounts receivable, accounts payable, capital and depreciation, interest and other, and income statement classification.
- Drafted position papers for all complex, non-recurring transactions.

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the names, ages and positions of our directors and executive officers as of July 20, 2016. Each director serves for a term of one year or until he or she is removed or resigns, or a successor is duly elected and qualified. Officers serve at the discretion of the Board and subject to any employment agreements as set forth below.

Name	Age	Position(s)
Robert Deutschman	59	Chairman of the Board
Christopher Rogers	58	Director
Craig Forman	54	Director
Jeffrey Karish	42	Director
Mohan Gyani	64	Director
Paul Schaeffer	69	Director
William Stone III	48	Chief Executive Officer
Andrew Schleimer	39	Executive Vice President and Chief Financial Officer
David Wesch	29	Acting Chief Accounting Officer

Biographical information for our directors and executive officers are as follows:

Directors

Robert Deutschman. Mr. Deutschman joined our Board of Directors on May 23, 2013 and was appointed Chairman of the Board in December 2014. Mr. Deutschman joined the Cappello Group, Inc., a merchant bank, in 1999 and has served as Vice Chairman, since 2008. Prior to joining Cappello, Mr. Deutschman was a Managing Director of Saybrook Capital Corp., and a Senior Vice President at Houlihan, Lokey. Mr. Deutschman holds a Bachelor of Arts degree from Haverford College, with honors, and a Juris Doctor from Columbia University School of Law, where he was a Harlan Fiske Stone scholar. Mr. Deutschman served as the Vice Chairman of the Board of Directors of Enron Creditors Recovery Corp. (formerly Enron Corp.) from 2004 to 2014, a position he assumed upon Enron's 2004 emergence from bankruptcy. Mr. Deutschman also serves on the boards of the RAND Center for Corporate Ethics and Governance and, until October 2014 also served on the board of the Brookfield DTLA Fund Office Trust Investor, Inc. The board of directors appointed Mr. Deutschman to serve as a director based on the entirety of his experience and skills, although the board noted specifically his extensive investment banking and financial experience and background in strategic advising, mergers and acquisitions and capital raising for institutions and private companies.

Christopher Rogers. Mr. Rogers has been a member of our Board of Directors since May 2012. Mr. Rogers is a partner at Lumia Capital. Previously he has served as Senior Vice President, Corporate Development and Spectrum, of Sprint Nextel Corporation where he evaluated and executed strategic initiatives, including mergers, acquisitions, divestitures, equity investments and joint ventures within the mobile communication and e-commerce sectors. He also was responsible for management and oversight of wireless spectrum licenses and Sprint Nextel's investment portfolio of emerging technology start-ups. Prior to its merger with Sprint in 2005, Rogers was Co- Founder and Senior Vice President of Nextel Communications, Inc. as well as Co-Founder of FleetCall. Communications, the predecessor to Nextel Communications, and Founder and Chairman of Dispatch Communications, Inc., which was sold to Fleet Call/Nextel in 1993. Mr. Rogers holds a Juris Doctor in Communications Law and has served as a Director on multiple public and private company Boards and as a Director for several Washington, DC-based philanthropic organizations. The board appointed Mr. Rogers to serve as a director based on the entirety of his experience and skills, although the Board specifically noted his extensive communications expertise, particularly in strategy, mergers and acquisitions and licensing, and as well as his deep managerial and corporate development experience.

Craig Forman. Mr. Forman joined our Board of Directors on March 6, 2015. Mr. Forman previously served as the executive chairman of the board of directors of Appia until March 2015. Mr. Forman is a private investor and entrepreneur, a former media, technology and telecommunications executive and former Wall Street Journal bureau chief and foreign correspondent. From March 2006 to May 2009, Mr. Forman served as President of Value Added Services and subsequently as President of Access & Audience at EarthLink Inc. where he also led such shared services as Operations, Information Technology and Customer Support. Prior to joining EarthLink, Mr. Forman was a senior executive at Yahoo Inc., where he had served since February 2004 as head of that Internet portal company's Media and Information businesses. Since 2009, Mr. Forman has served as a director on a variety of public and private company boards. Mr. Forman is currently a director of McClatchy Co., a leading U.S. newspaper and information company (NYSE: MNI), where he was appointed to the Compensation Committee and the Nominating and Corporate Governance Committee. Mr. Forman is also currently a director of Yellow Media Ltd. (TSE:Y), a leading Canadian digital media and marketing solutions company, where he was appointed to the Nominating and Corporate Governance Committee. Mr. Forman has a master's degree in law from Yale and an undergraduate degree from Princeton. The board of directors appointed Mr. Forman to serve as a director based on the entirety of his experience and skills, although the board noted specifically his extensive experience in media and managerial expertise.

Jeffrey Karish. Mr. Karish has been a member of our Board of Directors since May 23, 2013. Mr. Karish is a member of the leadership team at the Heritage Group, a private holding and investment company with a broad mandate, but an emphasis on healthcare and medical research. Previously, Mr. Karish was the Chairman of Whitney Shelter LLC, a private equity and venture capital firm focused on consumer facing media and technology platforms. Mr. Karish is the former President of Windsor Media LLC, subsequent to having served as the company's Executive Vice President and acting General Counsel with a focus on investing and finance which included private equity funding, early stage venture capital funding and general investment management of a significant portfolio of fixed income assets. Previously, Mr. Karish was Head of Media Strategy and Corporate Development at Yahoo with a primary focus in strategic growth initiatives and M&A. Prior to Yahoo, he was a management consultant at McKinsey & Company, and a key member of McKinsey's West Coast Media and Technology practice. Mr. Karish currently sits on the board of another public company, Banc of California. Mr. Karish holds a J.D. from Harvard University, a Masters of Philosophy in International Relations from Cambridge University, and a B.A. in History from U.C. Berkeley.

Mohan Gyani. Mr. Mohan joined our Board of Directors on January 26, 2016. Mr. Gyani is a private investor and beginning in 2005, has served in various capacities, the most recent of which is vice chairman, at Mobileum Inc., which designs and develops roaming services and telco big data analytics solutions to mobile network operators in the United States and internationally. From 2000 to 2003, Mr. Gyani served as president and chief executive officer of AT&T Wireless Mobility Services, Inc., a telecommunications company, and as senior advisor to the chairman and chief executive officer through 2004. From 1995 to 1999, Mr. Gyani was executive vice president and chief financial officer of AirTouch Communications, Inc., a wireless telephone service provider. Upon the acquisition of AirTouch by Vodafone, Mr. Gyani served as executive Director on the Board of Vodafone AirTouch and as its head of strategy and M&A until July 1999. Prior to AirTouch Communications, Mr. Gyani spent 15 years with Pacific Telesis Group, Inc., parent of Pacific Bell, a telecommunications company, where he held various financial and operational positions. Currently, Mr. Gyani serves on the board of directors of Blackhawk Network Holdings, Inc. (Nasdaq: Hawk), a provider of prepaid payments products. He also serves on the board of directors of IDEA Cellular, a wireless service provider, and MUFG Union Bank, N.A and its financial holding company, MUFG Americas Holdings Corporation, as well as the boards of other private companies that are in the wireless mobile space. Previously, from March 2011 to July 2015, Mr. Gyani served as a director of Audience, Inc., a provider of intelligent voice and audio solutions, and as chairman from August 2011 to July 2015; from June 2007 to June 2010, he served on the board of directors of Mobile Telesystems, Inc., a cell phone operator; from March 2002 to August 2013, he served on the board of directors of Keynote Systems, Inc., a mobile and web cloud testing and monitoring company; and from October 2004 to February 2015, he served on the board of directors of Safeway, Inc., a retail food and drug company. Mr. Gyani holds a B.A. and an M.B.A. from San Francisco State University. The board of directors appointed Mr. Gyani to serve as a director based on the entirety of his experience and skills, although the board noted specifically his broad knowledge of the wireless industry, extensive industry relationships, and deep experience serving on public and private company boards.

Paul Schaeffer. Mr. Schaeffer has been a member of our Board of Directors since August 2007. He is the Vice Chairman, Chief Operating Officer and Co-Founder of Mandalay Entertainment Group. Along with Peter Guber, Mr. Schaeffer is responsible for all aspects of Mandalay Entertainment Group's motion picture and television business, focusing primarily on the corporate and business operations. Prior to forming Mandalay Entertainment Group, Mr. Schaeffer was the Executive-Vice President of Sony Pictures Entertainment ("SPE"), overseeing the worldwide corporate operations for SPE including Worldwide Administration, Financial Affairs, Human Resources, Corporate Affairs, Legal Affairs and Corporate Communications. Mr. Schaeffer is a member of the Academy of Motion Pictures, Arts, & Sciences. A veteran of 20 years of private law practice, Mr. Schaeffer joined SPE from Armstrong, Hirsch and Levine, where he was a senior partner working with corporate entertainment clients. He also spent time as an accountant with Arthur Young & Company in Philadelphia. He graduated from the University of Pennsylvania Law School and received his accounting degree from Pennsylvania State University. The Company considered Mr. Schaeffer to be a valuable resource when it selected him as a director based on his having served for more than 5 years as the Chairman of the Finance Committee, and a member of the Board of Trustees of Children's Hospital Los Angeles, where he also served as a chairman of its Audit Committee, and member of its Compensation Committee and Executive Committee for more than five years.

William Stone III. Mr. Stone became our Chief Executive Officer in October 2014 and was appointed as a Director effective January 16, 2015. Previously, since November 2013, he served as the President and Chief Operating Officer of the Company. From August 2012 to November 2013, Mr. Stone served as the Chief Executive Officer of the Company's wholly owned subsidiary, Digital Turbine, Inc. Mr. Stone was previously Senior Vice President of Qualcomm Inc. and President of its subsidiary FLO TV Inc. from 2009 to 2011. Prior to Qualcomm, Stone was the CEO and President of the smartphone application storefront provider, Handango, (acquired by Appia Inc.) from 2007 to 2009. Mr. Stone has extensive global experience in wireless, technology, mobile content, marketing and distribution, having held executive positions at several operators such as Verizon, Vodafone, and AirTouch. Mr. Stone has a BA and MBA from Rice University.

Executive Officers

Biographical information regarding Mr. Stone is set forth above under "ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE – Directors".

Andrew Schleimer. Mr. Schleimer has served as the Executive Vice President and Chief Financial Officer of the Company since July 8, 2014. Mr. Schleimer was an advisor to the Company's Board of Directors since late 2011 and became a consultant to the Board in April 2012, advising and consulting on the company's mergers and acquisitions, financing activities, and investor relations. From September 2010 through July 2014, Mr. Schleimer was President of Au Courant Capital Corp., a financial advisory consulting firm specializing in mergers and acquisitions and operational support. Mr. Schleimer's services to the Company as an advisor and consultant were provided through Au Courant Capital Corp. From September 2010 through November 2012, he served as Executive Vice President, Strategic Development, of Dick Clark Productions where he was responsible for identifying new sponsorship revenues as well as creating new revenue streams – primarily via digital applications – and sourcing new business and acquisition opportunities. Prior to September 2010, he was Executive Vice President, Strategic Development & In-Park Service, of Six Flags, Inc. During his tenure, he was responsible for strategic planning and new business development, including domestic and international theme park development, non-traditional brand extensions, and all in-bound and out-bound brand licensing, as well as full profit and loss responsibility for In-Park Services revenue. Mr. Schleimer was an employee of Trinad Capital Master fund, a large shareholder, and such relationship ended in June 2013. Mr. Schleimer has a background in investment banking with a focus on mergers and acquisitions, and joined Six Flags from UBS Investment Bank, where he served as Vice President in the bank's Mergers and Acquisitions department. At UBS, he advised on over $150 billion of transactions in the media, entertainment, technology, telecom and consumer products sectors. Mr. Schleimer received a B.S. from Cornell University School of Hotel and Restaurant Management in 1999.

David Wesch. Mr. Wesch has served as the Acting Chief Accounting Officer of the Company since June 13, 2016. Mr. Wesch is a Certified Public Accountant with over 6 years of diversified experience, spanning across public accounting and various industries, including technology, manufacturing, and oil and gas, with a focus primarily on technology. Prior to joining Digital Turbine, Inc., Mr. Wesch was a Manager at BDO USA, LLP where he led teams between 2-6 individuals and managed audits of both large public and private companies. Since joining the Company in May 2015, Mr. Wesch has served as the Accounting & SEC Financial Reporting Manager. Mr. Wesch holds a Bachelor and Master's degree in Accounting, with honors, from The McCombs School of Business at The University of Texas at Austin. Mr. Wesch' expertise includes strong knowledge of US GAAP, revenue recognition, internal and external financial reporting, the development and implementation of entity-wide controls and processes within the public company environment ensuring ongoing compliance with SOX 404.

Except as may be otherwise noted above, none of our directors or executive officers has, during the past ten years, been involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulation S-K. There are no family relationships between any of the directors or executive officers.

Audit Committee

Our audit committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act of 1934 and consists of Robert Deutschman (Chairman), Christopher Rogers, Craig Forman, and Paul Schaeffer. In May 2013, upon joining the Board of Directors, Mr. Deutschman replaced Mr. Schaeffer as the Chairman of the committee. The Board of Directors has determined (1) that Mr. Deutschman qualifies as an "audit committee financial expert," as defined by the SEC in Item 407(d)(5) of Regulation S-K; and (2) that all members of the Audit Committee are "independent" under the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc., and meet the criteria for independence as set forth in Rule 10A-3(b)(1) of the Exchange Act. The committee met regularly during the course of the year, including regular meetings with our auditors, and monitored our compliance with our obligations under the assessment of internal control over financial reporting.

Code of Conduct

The Board has established a corporate Code of Business and Ethical Conduct which qualifies as a "code of ethics" as defined by Item 406 of Regulation S-K of the Exchange Act and applies to the Company's principal executive officer, principal financial officer, principal accounting officer and all other officers, directors, and employees. Among other matters, the Code of Conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the Code of Conduct to appropriate persons identified in the code; and
- accountability for adherence to the Code of Conduct.

A full text of our Code of Conduct is published on our website at www.digitalturbine.com under the tab "Investor Info." If we amend our Code of Conduct as it applies to the principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions) or grant a waiver from any provision of the Code of Conduct to any such person, we shall disclose such amendment or waiver on our website at www.digitalturbine.com under the tab "Investor Info."

Section 16 Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors, and persons owning more than ten percent of a registered class of our equity securities to file reports of ownership and changes of ownership with the SEC. To the best of our knowledge, based solely on review of the copies of such reports and amendments thereto furnished to us, we believe that during the fiscal year ended March 31, 2016, all of our executive officers, directors and significant stockholders complied with all applicable filing requirements except that William Stone filed one late Form 4.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

We believe that a strong management team comprised of highly talented individuals in key positions is critical to our ability to deliver sustained growth and profitability, and our executive compensation program is an important tool for attracting and retaining such individuals. We also believe that our most important resource is our people. While to a certain extent we are able to exploit unique assets or proprietary technologies, we depend fundamentally on the skills, energy and dedication of our employees to drive our business. It is only through their constant efforts that we are able to innovate through the creation of new products, to maintain superior operating efficiencies, and to develop and exploit marketing channels. With this in mind, we have consistently sought to employ the most talented, accomplished and energetic people available in the industry. Therefore, we believe it is vital that our named executive officers receive an aggregate compensation package that is both highly competitive with the compensation received by similarly-situated executive officers at peer group companies, and also reflective of each individual named executive officer's contributions to our success on both a long-term and short-term basis.

We seek to have compensation programs for our named executive officers that are intended to achieve a variety of goals, including, but not limited to:

- attracting and retaining talented and experienced executives;
- motivating and fairly rewarding executives whose knowledge, skills and performance are critical to our success; and
- providing fair and competitive compensation.

Administration and Process

Our executive compensation program is administered by the Compensation Committee. The Compensation Committee receives legal advice from our outside general counsel and may also engage compensation consultants. Historically, base salary, bonus structure and long-term equity compensation of our executive officers are governed by the terms of their individual employment agreements (see “Narrative Disclosure to Summary Compensation Table”) and we expect that to continue in the future. With respect to our chief executive officer and chief financial officer, the Compensation Committee establishes milestone performance levels for incentive bonuses based on a number of factors that are designed to further our executive compensation objectives, including our performance, the compensation received by similarly-situated executive officers, and the conditions of the markets in which we operate.

In determining executive compensation for fiscal year 2016, the Compensation Committee’s goal was to reward the named executive officers for an increase in their respective responsibilities, and Company-wide and individual performance. We believe that this policy is intended to assure that our compensation practices are competitive with those in the industry. The Compensation Committee also periodically reviews the overall compensation of our named executive officers for the purpose of determining whether discretionary bonuses should be granted. Our chief executive officer may also assist the Compensation Committee in determining compensation for the other named executive officers.

Elements of Executive Officer Compensation

Overview

The compensation packages for the Company’s senior executives have both performance-based and non-performance based elements. Total compensation paid to our executive officers is divided among three principal components. Base salary is generally fixed and does not vary based on our financial and other performance. Other components, such as cash bonuses and stock options or other equity or equity-based awards, are variable and dependent upon our market performance. Our policy is to generally emphasize long-term equity awards over short-term cash bonuses, as the long-term awards are intended to align with goals such as total shareholder return. Historically, judgments about these elements have been made subjectively. In the case of stock options, the value is dependent upon our future stock price and, accordingly, such awards are intended to reward the named executive officers for favorable Company-wide performance.

The Compensation Committee has negative discretion to adjust performance results used to determine annual incentive and the vesting schedule of long-term incentive payouts to the named executive officers. The Compensation Committee also has discretion to grant bonuses even if the performance targets were not met.

Our Compensation Committee may review total compensation to see if it generally falls in line with peer companies and may also look at overall market data. The Compensation Committee engaged a compensation consultant for the fiscal year ended March 31, 2016. During fiscal year 2016, the Compensation Committee considered compensation, including termination provisions and potential payments upon termination or change in control, that would make it possible to hire and retain executive officers for the Company.

Role of Compensation Consultant

For fiscal year 2016, the Compensation Committee engaged a professional compensation consultant, Mercer, an industry leading global human resources consulting firm to provide advice and assist the Compensation Committee in (i) reviewing and analyzing compensation of the chief executive officer and chief financial officer and Board of Director compensation and (ii) reviewing and analyzing market data related to our executive officers' base salaries and total cash and direct compensation, including short-term and long-term incentive awards. Mercer reported directly to the Compensation Committee and did not provide any services to the Company or its management in fiscal year 2016 other than those provided to the Compensation Committee described above. The Compensation Committee considered factors relevant to Mercer’s independence, such as other services provided by and fees paid to Mercer.

Pursuant to its review, Mercer reviewed from its 2014 executive remuneration survey high-tech organizations with revenue less than $325 million, publicly traded organizations with revenues less than $225 million and all organizations with revenues between $15 million and $60 million, noting that high-tech and publicly traded organizations are larger than the Company. Mercer assessed that the Company’s total direct executive compensation was generally with the median of high-tech organizations, below the median of publicly traded organizations and above the 75th percentile of the $15 to $60 million revenue market. Mercer recommended implementing annual equity incentive awards to strengthen the linkage between executive compensation and long-term organizational performance.

Base Salary

We pay our executives a base salary pursuant to the terms of employment agreements, which are usually two years. We believe that a competitive base salary is a necessary element of any compensation program. Base salaries are established, in part, based on the executive’s individual position, responsibility, experience, skills, historic salary levels and the executive’s performance during the prior year. We are also seeking over a period of years to align base compensation levels comparable to our competitors and other companies similarly situated. We do not view base salaries as primarily serving our objective of paying for performance.

Mr. Stone's annual salary remained at $500,000 during fiscal year 2016, which is based on his employment agreement dated September 9, 2014 that he entered into in connection with his appointment as chief executive officer. We believe that his salary continues to be commensurate with his responsibilities. On November 1, 2015, Mr Schleimer's annual salary was increased from $300,000 to $400,000 for purposes of retention and based on Mr. Schleimer’s continuing contributions to the Company’s performance. Mr. Schleimer's employment agreement expired on July 8, 2016. He does not currently have an agreement but continues to be paid based on an annual salary of $400,000. During fiscal year 2016, Mr. Alejandro continued to receive his same salary pursuant to the employment agreement dated February 10, 2015.

We believe that our salary levels are sufficient to retain our existing executive officers and hire new executive officers when and as required.

Performance Bonuses

Consistent with our emphasis on pay-for-performance incentive compensation programs, our executives are eligible to receive cash incentive bonuses primarily based upon their performance during the fiscal year. Historically, a factor given considerable weight in establishing bonus performance criteria is non-GAAP adjusted EBITDA, which is GAAP net loss excluding the following cash and non-cash expenses: interest expense, foreign transaction gains (losses), debt financing and non-cash related expenses, debt discount and non-cash debt settlement expense, gain or loss on extinguishment of debt, income taxes, asset impairment charges, depreciation and amortization, stock-based compensation expense, change in fair value of derivatives, and fees and expenses related to acquisitions. The use of this and other performance measures is further described below under “Narrative Disclosure to Summary Compensation Table.”

Mr. Alejandro received a bonus during the 2016 fiscal year based on achievement, as determined by the Company, of the implementation and progress of certain actions related to the Company’s financial controls. Mr. Schleimer received a bonus during the 2016 fiscal year based on the following types of personal performance criterion: finance/accounting team enhancements, treasury functions, closing enhancements, equity capital management, and earnings release enhancements. The Compensation Committee determined whether substantial progress had been achieved toward ultimate completion of such criterion, in light of all factors deemed relevant by the committee, including a good faith determination, after discussion with Mr. Schleimer, of the time and resources available. See "SUMMARY COMPENSATION TABLE" for details on bonuses earned by our named executive officers.

Equity and Equity-Based Compensation

We believe that stock options and other forms of equity or equity-based compensation are an important long-term incentive for our executive officers and other employees and generally align officer interest with that of our stockholders. They are intended to further our emphasis on pay-for-performance.

For fiscal year 2016 service and performance, we granted to Mr. Stone and Mr. Schleimer stock options to purchase an aggregate of 175,000 and 105,000, respectively, shares of our common stock with a grant date fair value of $213,500 and $128,100. In addition, we granted to Mr. Alejandro stock options to purchase 50,000 and 35,000 shares of our common stock, having a grant date fair value of $59,600 and $42,700, respectively. In connection with Mr. Alejandro's resignation on June 10, 2016, of the 35,000 and 50,000 stock option grants issued to him, 35,000 and 40,278, respectively, were cancelled. The remainder are exercisable until September 8, 2016.

We do not have any formal plan or obligation that requires us to grant equity or equity-based compensation to any executive officer on specified dates. The authority to make equity or equity-based grants to our executive officers rests with our full Board of Directors based upon recommendations made by the Compensation Committee or by the Compensation Committee acting alone. The Committee considers the input of our chief executive officer in setting the compensation of our other executive officers, including in the determination of appropriate levels of equity or equity-based grants.

Other Benefits and Perquisites

Our executive officers participate in the health and dental coverage, life insurance, paid vacation and holidays, 401(k) retirement savings plans and other programs that are generally available to all of the Company's employees.

The provision of any additional perquisites to each of the named executive officers is subject to review by the Compensation Committee. Historically, these perquisites include payment of an automobile allowance and matching contributions to a 401(k) defined contribution plan. In 2016, the named executive officers were granted the following perquisites: 401(k) plan matching contribution. We value perquisites at their incremental cost to us in accordance with SEC regulations.

We believe that the benefits and perquisites we provide to our named executive officers are within competitive practice and customary for executives in key positions at comparable companies. Such benefits and perquisites serve our objective of offering competitive compensation that allows us to continue to attract, retain and motivate highly talented people to these critical positions, ultimately providing a substantial benefit to our shareholders.

Impact of Accounting and Tax Treatments

Section 162(m) of the Internal Revenue Code (the "Code") prohibits publicly held companies like us from deducting certain compensation to any one named executive officer in excess of $1,000,000 during the tax year. However, Section 162(m) provides that, to the extent that compensation is based on the attainment of performance goals set by the Compensation Committee pursuant to plans approved by the Company's shareholders, the compensation is not included for purposes of arriving at the $1,000,000.

The Company, through the Compensation Committee, intends to attempt to qualify executive compensation as tax deductible to the extent feasible and where it believes it is in our best interests and in the best interests of our shareholders. However, the Compensation Committee does not intend to permit this arbitrary tax provision to distort the effective development and execution of our compensation program. Thus, the Compensation Committee is permitted to and will continue to exercise discretion in those instances in which mechanistic approaches necessary to satisfy tax law considerations could compromise the interests of our shareholders. In addition, because of the uncertainties associated with the application and interpretation of Section 162(m) and the regulations issued thereunder, there can be no assurance that compensation intended to satisfy the requirements for deductibility under Section 162(m) will in fact be deductible.

Compensation Risk Management

As part of its annual review of our executive compensation program, the Compensation Committee reviews with management the design and operation of our incentive compensation arrangements for senior management, including executive officers, to determine if such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Company. The Compensation Committee considered, among other things, the features of the Company's compensation program that are designed to mitigate compensation-related risk, such as the performance objectives and target levels for incentive awards (which are based on overall Company performance), and its compensation recoupment policy. The Compensation Committee also considered our internal control structure which, among other things, limits the number of persons authorized to execute material agreements, requires approval of our board of directors for matters outside of the ordinary course and its whistle blower program. Based upon the above, the Compensation Committee concluded that any risks arising from the Company's compensation plans, policies and practices are not reasonably likely to have a material adverse effect on the Company.

Impact of Shareholder Advisory Vote

At our 2016 annual meeting, our shareholders approved, in a non-binding advisory vote, our current executive compensation with 96% of all shares present, in person or by proxy, at the annual meeting and entitled to vote thereon affirmatively giving their approval (with broker non-votes having no effect on the vote). Accordingly, we believe that this vote ratifies our executive compensation philosophy and policies, as currently adopted and implemented, and we intend to continue such philosophy and policies.

THE COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The information contained in this Compensation Committee Report shall not be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing (except to the extent that we specifically incorporate this information by reference) and shall not otherwise be deemed "soliciting material" or "filed" with the SEC or subject to Regulation 14A or

14C, or to the liabilities of Section 18 of the Exchange Act (except to the extent that we specifically request that this information be treated as soliciting material or specifically incorporate this information by reference).

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Amendment.

Submitted by the Compensation Committee on July 29, 2016:

- Jeffrey Karish
- Chris Rogers
- Mohan Gyani (Mr. Gyani was not a member of the Board of Directors or Compensation Committee prior to January 26, 2016 and therefore had no role in any aspect of the compensation policies or decisions discussed above prior to such date).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee members whose names appear on the Compensation Committee Report above were committee members during all of fiscal year 2016, except for Mr. Gyani, who was appointed to the Compensation Committee in January 2016. No member of the Compensation Committee (and in Mr. Gyani's case, during the period he served on the committee) is or has been an executive officer of the Company or had any relationships requiring disclosure by the Company under the SEC's rules requiring disclosure of certain relationships and related party transactions, except for Jud Bowman a former director and member of the compensation committee as described below under "Certain Relationships and Related Party Transactions." None of the Company's executive officers served as a director or a member of a compensation committee (or other committee serving an equivalent function) of any other entity that has or had one or more executive officers who served as a director or member of the Compensation Committee during the fiscal year ended March 31, 2016.

SUMMARY COMPENSATION TABLE

The following compensation table sets forth information concerning aggregate compensation earned by or paid to (i) the individual serving as our Chief Executive Officer during our fiscal year ending March 31, 2016, (ii) the individual serving as our Chief Financial Officer during our fiscal year ending March 31, 2016, and (iii) one additional most highly compensated individual who served as the former Chief Accounting Officer during our fiscal year ending March 31, 2016. We refer to these individuals, collectively, as our "named executive officers".

Position	Fiscal Year Ended March 31,	Salary ($)	Bonus ($)	Option Awards (1) ($)	All Other Compensation ($)	Total ($)
William Stone III (2)	2016	500,000	—	213,500	2,541	716,041
Chief Executive Officer and previous President and Chief Operating Officer	2015	424,375	188,000	1,029,500	25,625	1,667,500
	2014	350,000	195,000	708,055	30,870	1,283,925
Andrew Schleimer (3)	2016	341,667	113,173	128,100	2,667	585,607
Executive Vice President and Chief Financial Officer	2015	219,423	137,500	1,137,000	25,652	1,519,575
James Alejandro (4)	2016	182,500	95,263	102,300	—	380,063
Former Chief Accounting Officer						

(1) The amounts in the "Option Awards" column relate to grants of stock options made under the Company's stock option plans. With respect to each stock option grant, the amounts disclosed generally reflect the fair value of the option award as of the grant date for all options issued in the respective fiscal year, in accordance with FASB ASC Topic 718 "Compensation-Stock Compensation." Generally, ASC Topic 718 "Compensation-Stock Compensation" requires the full grant-date fair value of a stock option award to be amortized and recognized as compensation cost over the service period that relates to the award. Note 4, "Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 sets forth

the relevant assumptions used to determine the valuation of our stock option awards. Vesting schedules for unvested stock grants for each officer are described below under "Narrative Disclosure to Summary Compensation Table."

(2) During the fiscal year ended March 31, 2016, Mr. Stone was granted options on December 9, 2015 to purchase 175,000 shares of common stock of the Company with a grant date fair value of $213,500. During the year ended March 31, 2015, Mr. Stone received a $100,000 signing bonus in connection with his employment agreement to become chief executive officer. Mr Stone was also awarded, and the Company recorded, a bonus of $88,000 for the year ended March 31, 2015, but it was reversed in a subsequent period based on the Company's subsequent performance. Pursuant to his previous agreement, on November 25, 2013, Mr. Stone was granted options to purchase 300,000 shares of common stock of the Company with a grant date fair value of $708,055. On July 8, 2014 and September 10, 2014, Mr. Stone was granted options to purchase an additional 200,000 and 50,000 shares of common stock of the Company, respectively, with grant date fair values of $758,000 and $271,500, respectively. Amounts under "All Other Compensation" represent Company paid health benefits.

(3) Mr. Schleimer was appointed as our Chief Financial Officer on July 8, 2014. During the fiscal year ended March 31, 2016, Mr. Schleimer's salary was increased on November 1, 2015 from $300,000 to $400,000, and on December 9, 2015, he was granted options to purchase 105,000 shares of common stock of the Company with a grant date fair value of $128,100. During the fiscal year ended March 31, 2015, Mr. Schleimer was granted options to purchase 300,000 shares of common stock of the Company with a grant date fair value of $1,137,000. During fiscal years 2015 and 2016, Mr. Schleimer was eligible to receive an annual performance bonus of up to 50% of his base salary. Mr. Schleimer's bonus opportunity was based on corporate performance criteria, and personal performance criteria. The corporate performance criteria were based on previously budgeted Company revenue and Adjusted EBITDA targets and the personal performance criteria were based on five factors related to different operational and financial aspects of the Company's finance and accounting functions listed in his employment agreement. Mr. Schleimer's annual bonus was paid based on the determination by the Compensation Committee that substantial progress had been achieved toward ultimate completion of such criteria. Amounts under "All Other Compensation" represent Company paid health benefits. Mr Schleimer's employment agreement expired on July 8, 2016 and he does not currently have an agreement but continues to be paid based on an annual salary of $400,000.

(4) Mr. Alejandro was appointed as our Chief Accounting Officer on February 10, 2015, with an effective start date of February 27, 2015, and remained in this role through June 10, 2016, the effective date of his resignation. Pursuant to his employment agreement, on February 27, 2015, Mr. Alejandro was granted options to purchase 100,000 shares of common stock of the Company with a grant date fair value of $316,130. On November 4, 2015 and December 9, 2015, Mr. Alejandro was granted options to purchase 50,000 and 35,000, respectively, shares of common stock of the Company with grant date fair values of $59,600 and $42,700, respectively, totaling $102,300. In connection with Mr. Alejandro's resignation on June 10, 2016, of the 100,000, 50,000, and 35,000 stock option grants, 68,750, 40,278, and 35,000, respectively, were cancelled. The remainder are exercisable until September 8, 2016. Mr. Alejandro received a retention bonus of $25,000 and an annual performance bonus of $70,263 based on his satisfaction of performance-related milestones.

NARRATIVE DISCLOSURE TO SUMMARY COMPENSATION TABLE

Employment Agreement with William Stone III.

Previous Employment Agreement. On November 24, 2013, we entered into an employment agreement with Bill Stone to become the Company's President and Chief Operating Officer. The Agreement had a term of two years and Mr. Stone received a salary of $350,000 per year. Mr. Stone was eligible to receive, on an annual basis, a performance bonus of up to 100% of his base salary based on criteria consistent with those applicable to the Company's CEO, as determined mutually by the CEO, Compensation Committee and Mr. Stone. In addition, Mr. Stone received options to purchase 300,000 shares of common stock under the Company's equity incentive plan at the closing price on November 25, 2013. The options vest over a three year term as follows: 100,000 options on the first anniversary of the option grant date, then the remaining shares vest on a pro rata monthly basis for the following two years. Mr. Stone was also the President of Digital Turbine, Inc., the Company's wholly-owned subsidiary.

CEO Employment Agreement. On September 9, 2014, we entered into an employment agreement pursuant to which Mr. Stone became the Chief Executive Officer of the Company on October 2, 2014. In connection with the new employment agreement, Mr. Stone received a one-time $100,000 signing bonus. Pursuant to the agreement, Mr. Stone receives a salary of $500,000 per year, and he was eligible for a performance bonus, which was amended as described below.

In connection with entering into the agreement, the vesting (but not the exercise price) of the 200,000 options granted to Mr. Stone on July 8, 2014 was adjusted so that 50,000 options vest on the one-year anniversary of the original grant date (i.e., July 8, 2015), 150,000 options vest on a monthly basis over the 3 years following the first anniversary, and all unvested options granted will vest immediately upon a change of control of the company. The estimated incremental fair value associated with the 50,000 options was less than $10,000. In addition, on the effective date of the agreement, Mr. Stone received a grant of a new stock option to purchase 50,000 shares of common stock of the Company at an exercise price equal to the closing price of the Company's common stock on September 10, 2014 under the Company's equity incentive plan, which vests as follows: 12,500 options vest on the one-year anniversary of the grant date, 37,500 options vest on a monthly basis over the 3 years following the first anniversary of the grant date, and all unvested options will vest immediately upon a change of control of the Company.

CEO Amended Employment Agreement. On May 26, 2016, we entered into an amendment to the employment agreement with William Stone originally entered into on September 9, 2014. The amendment extends the term until March 31, 2018. Mr. Stone received a one-time $100,000 signing bonus and is eligible for a performance bonus opportunities based on the following criteria:

- Mr. Stone will receive 30% of his salary earned with respect to the period starting April 1, 2016 through March 31, 2017 ("Year 2 Period"), as a bonus if both the FY2017 adjusted EBITDA target and the 2017 revenue target are achieved; plus up to an additional 70% of his salary earned with respect to the Year 2 Period, as a bonus in the sole discretion of the Compensation Committee based on extraordinary financial and business performance of the Company during the Year 2 Period (beyond the level required to achieve the bonus of 30% of his salary for the Year 2 Period). The Compensation Committee also authorized an additional 50% of base salary "Extraordinary Bonus" if the Company exceeds targeted revenues and Adjusted EBITDA by 50% relative to the targets approved by the Board for FY2017 at its meeting on April 13, 2016.
- Mr. Stone will receive 50% of his salary earned with respect to period starting April 1, 2017 through March 31, 2018 ("Year 3 Period"), as a bonus if both of the Year 3 Period targets are achieved; plus up to an additional 50% of his salary earned with respect to the Year 3 Period, as a bonus in the sole discretion of the Compensation Committee based on extraordinary financial and business performance of the Company during the Year 3 Period (beyond the level required to achieve the bonus of 50% of his salary for the Year 3 Period). The Compensation Committee also authorized an additional 50% of base salary "Extraordinary Bonus" if the Company exceeds targeted revenues and adjusted EBITDA by 50%.

Achievement of targets will be determined promptly after the Company's annual financial statements for the fiscal year for the applicable period have been publicly issued and certified by the Company's auditors. Any interpretative issues in reconciling adjusted EBITDA or a public earnings measure to audited numbers (a) be resolved as much as possible based on the Company's publicly filed reconciliations of the same and (b) as to any other questions will be determined in the reasonable discretion of the Compensation Committee after good faith discussion with Mr. Stone. Bonus targets that have not been achieved to the level required by the above criteria will not entitle Mr. Stone to a pro-rated bonus.

In connection with entering into the amended agreement, Mr. Stone received an option grant to purchase 100,000 shares of common stock of the Company at an exercise price equal to the closing price of the Company's common stock on May 26, 2016 under the Company's equity incentive plan, which vests as follows: 25,000 options shall vest on the one-year anniversary of the grant date, 75,000 options shall vest on a monthly basis over the 3 years following the first anniversary of the grant date, and all unvested options shall vest immediately upon a change of control of the Company.

Employment Agreement with Andrew Schleimer. On July 8, 2014, we entered into an employment agreement with Andrew Schleimer to become the Company's Executive Vice President and Chief Financial Officer. Mr. Schleimer's employment agreement was for a two-year term with an annual salary of $300,000. In addition, Mr. Schleimer received options for 300,000 shares of common stock under the Company's equity incentive plan at the closing price of the Company's common stock on July 8, 2014. The options vest over a four year term as follows: 25% on the first anniversary of his start date, then 6,250 shares on a monthly basis for the following three years. In the event of a change of control, all unvested options will vest immediately. On November 1, 2015, his annual salary was increased to $400,000. Mr Schleimer's employment agreement expired on July 8, 2016 and he does not currently have an agreement but continues to be paid based on an annual salary of $400,000.

TERMINATION PROVISIONS & POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

The section below provides information concerning the amount of compensation payable to our named executive officers in the event of termination of such executive's employment, including certain estimates of the amounts that would have been paid on certain dates under what we believe to be reasonable assumptions. However, the actual amounts to be paid out can only be determined at the time of such executive's termination.

Payments Made Upon Termination Generally

Regardless of the manner in which any of our employees (including any of our executive officers) is terminated, the employee would be entitled to receive certain amounts due during such employee's term of employment. Such amounts would include ("accrued compensation"):

- any unpaid salary from the date of the last payroll to the date of termination;
- accrued but unpaid bonus for a previously completed yearly measurement period;
- reimbursement for any properly incurred unreimbursed business expenses;
- any vested benefits the executive may have under the Company's benefit plans; and
- unpaid, accrued and unused personal time off through the date of termination.

In addition, an executive officer would retain the following rights:

- any existing rights to indemnification for prior acts through the date of termination; and
- any options and equity awarded pursuant to our 2011 Plan to the extent provided in that plan and the grant or award.

Messrs. Stone, Schleimer, Alejandro: As noted above under "Employment Agreements," each of Messrs. Stone, Schleimer, and Alejandro has or had as of March 31, 2016 an employment agreement with us. In addition to those payments made upon termination noted above, these agreements provide for the additional benefits on certain termination as described below.

Payments Made Upon Termination by Us Without Cause or by the Officer for Good Reason

If, as of March 31, 2016, we terminated Messrs. Stone's, Schleimer's or Alejandro's employment without cause, or if the officer terminated his employment for good reason, he would have received the following termination benefits:

(i) continuation of his salary at the rate then in effect; and,

(ii) continuation of any executive health and group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as "COBRA"), subject to payment of premiums by the Company to the extent that the Company was covering such premiums as of the termination date (if permitted by law without violation of applicable discrimination rules, or, if not, the equivalent after-tax value payable as additional severance at the same time such premiums are otherwise payable); and,

(iii) a pro-rata annual bonus through the termination date, as reasonably determined by the Compensation Committee applying the applicable contract standards and paid at the same time as a bonus would otherwise be payable under the contract; and,

(iv) acceleration of vesting of the options amended and/or granted under the contract on a pro-rata basis as if the vesting schedule had been monthly rather than annual, advanced to the next month.

The Company's liability for salary continuation pursuant to clause (i) above will not be reduced by the amount of any severance pay paid to the executive pursuant to any severance pay plan or stay bonus plan of the employer.

In order to receive such severance, the officer must execute a release of all claims and comply with the remaining confidentiality and non-solicitation provisions of his employment agreement.

"Good reason" means (i) breach by the Company of the insurance or indemnification provisions in the employment or any indemnification agreement or failure of the Company to pay any amounts or options due when due under the terms and conditions thereunder, after a 15 day cure period; (ii) the officer is not reporting directly to the board of directors, subject to a 30 day cure period, unless the sole reason for such failure to report to the board of directors is that a change of control occurred and as a result the officer's reporting structure in the buyer's organization puts him at effectively the same or higher level of overall responsibility and authority (comparing the positions in each organization) as was the case immediately prior to such change of control, as reasonably determined by the board of directors prior to such change of control; or (iii) material diminution in the officer's position, duties, authority or responsibility, without cause, subject to a 30 day cure period.

The term "cause" means (i) any act committed against the Company which involves fraud, willful misconduct, gross negligence or refusal to comply with the reasonable, legal and clear written instructions; or (ii) the conviction of, or indictment (or procedural equivalent, or guilty plea or plea of nolo contender) for (A) a felony or (B) any misdemeanor involving moral

turpitude where the circumstances reasonably would have a negative impact on the Company, deceit, dishonesty or fraud; or (iii) material breach of the employment agreement; provided, however, that in each case the officer will have 15 days to cure such conduct, unless such conduct is not reasonably curable.

If Mr. Stone, Mr. Schleimer, or Mr. Alejandro were terminated without cause or he resigned for good reason on March 31, 2016, then pursuant to the terms of his employment agreement, he would have received the following post-termination payments:

Position	Base Salary (1) ($)	Annual Bonus (2) ($)	Health Plan Payments (3) ($)	Accelerated Vesting of Options (4) ($)
William Stone III	1,500,000	—	9,072	—
Chief Executive Officer and previous President and Chief Operating Officer				
Andrew Schleimer	70,968	—	433	—
Executive Vice President and Chief Financial Officer				
James Alejandro	167,020	70,263	—	—
Chief Accounting Officer and Controller				

(1) Mr Stone's payment is based on salary paid from April 1, 2016 until March 31, 2018, the end of the term of his employment agreement. Mr Schleimer's payment is based on salary paid from April 1, 2016 until July 8, 2016, the end of the term of his employment agreement.

(2) Mr. Stone and Mr. Schleimer were not eligible to receive a performance bonus as of March 31, 2016. As of March 31, 2016, Mr. Alejandro reached certain milestones related to accomplishments made on the Company's financial controls, and received a bonus of $70,263 for such accomplishments. The bonus was paid on April 29, 2016.

(3) For Mr. Stone, based on monthly payments of $252. For Mr. Schleimer, based on monthly payments of $173. Mr. Alejandro made no benefit elections for the fiscal year ended March 31, 2016.

(4) For Mr. Stone, the amount is based on the difference between the exercise price of options outstanding as of March 31, 2016 ($2.54 per share with respect to 300,000 options, $4.11 per share with respect to 200,000 options, and $5.89 per share with respect to 50,000 options) and in each case the closing stock price on March 31, 2016 ($1.19). For Mr. Schleimer, the amount is based on the difference between the exercise price of options outstanding as of March 31, 2016 ($2.75 per share with respect to 60,000 options and $4.11 per share with respect to 300,000 options) and in each case the closing stock price on March 31, 2016 ($1.19) and the acceleration of vesting of the options amended and/or granted under the employment agreement on a pro-rata basis as if the vesting schedule had been monthly rather than annual, advanced to the next month. For Mr. Alejandro, the amount is based on the difference between the exercise price of options outstanding as of March 31, 2016 ($3.61 per share with respect to 100,000 options, $1.51 per share with respect to 50,000 options, and $1.43 per share with respect to 35,000 options) and in each case the closing stock price on March 31, 2016 ($1.19). Due to all options issued to our named executive officers having exercise prices below the stock price as of March 31, 2016, these options have no intrinsic value as of March 31, 2016.

Payments Made upon Termination following a Change of Control

Following a change of control as of March 31, 2016, the unvested equity grants made to Mr. Stone, Schleimer, and Alejandro under their employment agreements would vest. We estimate that an acceleration under these conditions would result in no value, based on the difference between the exercise price of such options and the closing stock price on March 31, 2016 ($1.19).

Payments Made Upon Disability and Death

Upon disability or death of either Mr. Stone, Schleimer or Alejandro, the Company would be obligated to pay the accrued compensation, as described above. If either officer became disabled so that he is unable to perform the essential functions of the existing position with or without reasonable accommodation, the board of directors may remove him from any responsibilities and/or reassign him to another position for the remainder of the term of the agreement or during the period of such disability and he will continue to receive his full salary and benefits for a period of time equal to 12 months. Based on medical insurance premiums as of March 31, 2016, we estimate that the approximate monthly value of the continued medical benefit payments would have been $252 for Mr. Stone, $173 for Mr. Schleimer, and none for James Alejandro. If the disability continues beyond the 12 month period, then the officer's employment may be terminated. "Disability" means a written determination, as certified by at least two duly licensed and qualified physicians, one of which is approved by the board of directors and one of which is approved by the officer, that he suffers from a physical or mental impairment that renders him unable to perform his regular personal duties under the agreement and that such impairment can reasonably be expected to continue for a period of three consecutive months or for shorter periods aggregating 90 days in any 12 month period.

GRANTS OF PLAN-BASED AWARDS DURING FISCAL YEAR ENDED MARCH 31, 2016

The following table sets forth certain information about plan-based awards that we made to the named executive officers during the fiscal year ended March 31, 2016.

Name	Grant Date	Option Awards: Number of Shares Underlying Options (#) (1)	Exercise Price of Option Awards ($/Share)	Grant Date Fair Value of Stock & Option Awards ($) (1)
William Stone III Chief Executive Officer and previous President and Chief Operating Officer	12/9/2015	175,000 (2)	1.43	213,500
Andrew Schleimer Executive Vice President and Chief Financial Officer	12/9/2015	105,000 (3)	1.43	128,100
James Alejandro Former Chief Accounting Officer and Controller	12/9/2015	35,000 (4)	1.43	42,700
	11/4/2015	50,000 (5)	1.51	59,600

(1) The value of a stock option award is based on the fair market value as of the grant date of such award determined pursuant to ASC 718. The exercise price for all options granted to the named executive officers is 100% of the fair market value of the shares on the grant date.

(2) The options granted on December 9, 2015 vest as follows: 87,500 options will vest on the twenty-four (24) month anniversary of the grant date, and 87,500 will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. All unvested options granted will vest immediately upon a change of control of the Company.

(3) The options granted on December 9, 2015 vest as follows: 52,500 options will vest on the twenty-four (24) month anniversary of the grant date, and 52,500 will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. All unvested options granted will vest immediately upon a change of control of the Company.

(4) The options granted on December 9, 2015 vest as follows: 17,500 options will vest on the twenty-four (24) month anniversary of the grant date, and 17,500 will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. In connection with Mr. Alejandro's resignation on June 10, 2016, these options were cancelled in full.

(5) Options vest at 1,389 shares on a monthly basis for thirty-six (36) months. In connection with Mr. Alejandro's resignation on June 10, 2016, 40,278 of these options were cancelled.

OPTIONS EXERCISES AND STOCK VESTED-DURING FISCAL YEAR ENDING MARCH 31, 2016

None of our named executive officers exercised any stock options during fiscal year 2016. The following table sets forth the common stock held by our executive officers that vested during 2016:

	Stock Awards	
Name	Number of Shares Acquired on Vested	Value Realized on Vesting ($) (1)
William Stone III Chief Executive Officer and previous President and Chief Operating Officer	91,666	220,082

(1) Shares vested monthly on a pro-rata basis. Amount represents aggregate market value upon vesting, based on the closing price of our common stock on each vesting date.

OUTSTANDING EQUITY AWARDS AT MARCH 31, 2016

The following table presents information regarding outstanding options held by our named executive officers as of March 31, 2016.

	Option Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
William Stone III (1) Chief Executive Officer and previous President and Chief Operating Officer	12/9/2015	—	175,000	1.43	12/09/2025
	9/10/2014	18,750	31,250	5.89	9/10/2024
	7/8/2014	83,333	116,667	4.11	07/08/2024
	11/25/2013	233,328	66,672	2.54	11/25/2023
Andrew Schleimer (2) Executive Vice President and Chief Financial Officer	12/9/2015	—	105,000	1.43	12/09/2025
	7/8/2014	125,000	175,000	4.11	7/8/2024
	10/2/2013	60,000	—	2.75	10/02/2023
James Alejandro (3) Former Chief Accounting Officer	12/9/2015	—	35,000	1.43	12/09/2025
	11/4/2015	5,556	44,444	1.51	11/4/2025
	2/27/2015	27,083	72,917	3.61	2/27/2025

(1) On December 9, 2015, Mr. Stone was granted 175,000 options with an exercise price of $1.43 per share and 87,500 of which will vest on the twenty-four (24) month anniversary of the grant date, and 87,500 of which will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. On September 10, 2014, Mr. Stone was granted 50,000 options with an exercise price of $5.89 per share and 12,500 of which will vest on the one-year anniversary of the grant date, and 37,500 of which will vest on a monthly basis over the three years following the first anniversary of the grant date to become fully vested on September 10, 2018. On July 8, 2014, Mr. Stone was granted 200,000 stock options exercisable at the exercise price of $4.11. The original vesting of these 200,000 options was adjusted so that 50,000 options vested on the one-year anniversary of the original grant date (i.e., July 8, 2015), and 150,000 options will vest on a monthly basis over the three years following such first anniversary. On November 25, 2013, Mr. Stone was granted 300,000 stock options exercisable at the price of $2.54 per share. The options vest over a

three year term as follows: 100,000 options vested on the first anniversary of the option grant date, then the remaining shares vest on a pro rata monthly basis for the following two years. All unvested options granted will vest immediately upon a change of control of the Company.

(2) On December 9, 2015, Mr. Schleimer was granted 105,000 options with an exercise price of $1.43 per share and 52,500 of which will vest on the twenty-four (24) month anniversary of the grant date, and 52,500 of which will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. On July 8, 2014, Mr. Schleimer was granted 300,000 stock options exercisable at the exercise price of $4.11 per share. The options vest over a four year term as follows: 25% on the first anniversary of his start date, then 6,250 shares on a monthly basis for the following three years. On October 2, 2013, as part of Mr. Schleimer's previous consulting agreement with the Company, he was granted 60,000 options with an exercise price of $2.75 per share all of which were vested as of March 31, 2016. All unvested options granted will vest immediately upon a change of control of the Company.

(3) Effective December 9, 2015, Mr. Alejandro was granted 35,000 options with an exercise price of $1.43 per share and 17,500 of which will vest on the twenty-four (24) month anniversary of the grant date, and 17,500 of which will vest on forty-eight (48) month anniversary of the grant date to become fully vested on December 9, 2019. On November 11, 2015, Mr. Alejandro was granted 50,000 stock options exercisable at the exercise price of $1.51 per share. The options vest at 1,389 shares on a monthly basis for thirty-six (36) months. On February 27, 2015, Mr. Alejandro was granted 100,000 stock options exercisable at the exercise price of $3.61 per share. The options vest over a four year term as follows: 25% on the first anniversary of his start date, then 2,083 shares on a monthly basis for the following three years. In connection with Mr. Alejandro's resignation on June 10, 2016, of the 35,000, 50,000, and 100,000 stock option grants issued to him, 35,000, 40,278, and 68,750, respectively, were cancelled. The remainder are exercisable until September 8, 2016.

DIRECTOR COMPENSATION

The following table presents information regarding compensation paid to our directors during the fiscal year ended March 31, 2016. For compensation paid to William Stone III, see "Summary Compensation Table" above.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Total ($)
Robert Deutschman (2)	79,500	78,200	157,700
Christopher Rogers (3)	53,000	48,000	101,000
Craig Forman (4)	53,000	48,000	101,000
Jeffrey Karish (5)	48,000	48,000	96,000
Judson Bowman (6)	36,000	12,000	48,000
Mohan Gyani (7)	8,664	24,592	33,256
Paul Schaeffer (8)	53,000	48,000	101,000
Peter Guber (9)	12,000	—	12,000

(1) The amounts in the “Stock Awards” column reflect the aggregate grant date fair value of each restricted stock award that was granted during the respective fiscal year, computed in accordance with FASB ASC Topic 718 “Compensation-Stock Compensation”. We estimated the fair value of restricted stock based on the fair value at the time of grant. The fair value for awards that are expected to vest is then amortized on a straight-line basis over the requisite service period of the award, which is generally the vesting term. The amount of expense recognized represents the expense associated with the restricted stock we expect to ultimately vest based upon an estimated rate of forfeitures; this rate of forfeitures is updated as necessary and any adjustments needed to recognize the fair value of restricted stock that actually vest or are forfeited are recorded. Note 4, “Summary of Significant Accounting Policies,” in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2016 sets forth the relevant assumptions used to determine the valuation of our stock option awards.

(2) Mr. Deutschman is the Chairman of the Board of Directors and the Chairman of the Audit Committee. During the fiscal ended March 31, 2016, Mr. Deutschman received quarterly cash payments totaling $79,500 and was granted a total of 51,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share, of which 25,894 shares remained unvested as of March 31, 2016.

(3) Mr. Rogers is a director of the Company and a member of the Audit Committee and the Compensation Committee. During the fiscal year ended March 31, 2016, Mr. Rogers received quarterly cash payments totaling $53,000 and was

granted 31,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share, of which 15,894 shares remained unvested as of March 31, 2016.

(4) Mr. Forman is a director of the Company and a member of the Audit Committee. During the fiscal year ended March 31, 2016, Mr. Forman received quarterly cash payments totaling $53,000 and was granted 31,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share, of which 15,894 shares remained unvested as of March 31, 2016.

(5) Mr. Karish is a director of the Company and a member of the Compensation Committee. During the fiscal year ended March 31, 2016, Mr. Karish received quarterly cash payments totaling $48,000 and was granted 31,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share, of which 15,894 shares remained unvested as of March 31, 2016.

(6) Mr. Bowman was a director of the Company until January 25, 2016. During the fiscal year ended March 31, 2016, Mr. Bowman received quarterly cash payments totaling $36,000 and was granted 31,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share. Effective as of Mr. Bowman's resignation from the board of directors, 23,841 unvested shares of the total common stock issued on November 4, 2015 were cancelled.

(7) Mr. Gyani is a director of the Company and a member of the Compensation Committee. During the fiscal year ended March 31, 2016, Mr. Gyani received quarterly cash payments totaling $8,664 and was granted 23,200 shares of restricted stock both pro-rated from the date of commencement of service on January 26, 2016 to the next November 1, 2016 annual grant with a fair value price of $1.06 per share, of which 22,579 shares remained unvested as of March 31, 2016.

(8) Mr. Schaeffer is a director of the Company and a member of the Audit Committee. During the fiscal year ended March 31, 2016, Mr. Schaeffer received quarterly cash payments totaling $53,000 and was granted 31,788 shares of common stock issued on November 4, 2015 with a fair value price of $1.51 per share, of which 15,894 shares remained unvested as of March 31, 2016.

(9) During the fiscal year ended March 31, 2016, Mr. Guber received quarterly cash payments totaling $12,000. On August 10, 2015, Mr. Guber resigned from the board of directors.

Non-employee director compensation for a new director is granted under the Board Member Equity Ownership and Retention Policy (the “Policy”). The Policy, which is administered by the independent Compensation Committee of the Board and can be amended by such committee, requires each non-management board member to acquire shares of the Company having a value equal to three times his or her annual cash retainer within five years, requires any employee director and the Chief Executive Officer to acquire shares of the Company having a value equal to three times his or her annual salary within five years and requires the Chief Operating Officer to acquire shares of the Company having a value equal to two times his or her annual salary within five years. Unvested restricted stock or restricted stock units and unvested stock options will not be considered when determining an individual’s stock ownership, and vested but unexercised stock options will be treated as equivalent to one-half a share. The Policy does not affect the vesting restrictions on any equity awards but supersedes any post-vesting lock-up that is currently applicable to any person covered by the Policy. Failure to meet or show sustained progress toward meeting the ownership requirements of the Policy may result in reduction in future long-term incentive grants and/or the requirement to retain all stock obtained through the vesting or exercise of equity awards.

The Company’s compensation program for the non-employee directors is as follows: each director receives an annual cash retainer of $48,000 (payable in equal quarterly installments) plus an annual grant for restricted Company common stock under the Company’s Amended and Restated 2011 Equity Incentive Plan (the "2011 Plan") having a value of $48,000 on the grant date (with quarterly vesting).

Effective July 1, 2014, the compensation program also provides for an additional annual cash retainer of $5,000 (payable in quarterly installments) and annual grant of restricted Company common stock under the 2011 Plan having a value of $5,000 on the grant date (with quarterly vesting) for non-employee members of the Audit Committee of the Board (other than the Chair) and an additional annual cash retainer of $7,500 (payable in quarterly installments) and annual grant of restricted Company common stock under the 2011 Plan having a value of $7,500 on the grant date (with quarterly vesting) for a non-employee Chairman of the Audit Committee. Also, effective July 1, 2014, the Chairman of the Board receives an additional cash retainer of $24,000 (payable in equal quarterly installments) plus an additional annual grant for restricted Company common stock under the 2011 Plan having a value of $24,000.

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

As of July 20, 2016, there were approximately 66,288,817 shares of our common stock and 100,000 shares of preferred stock outstanding. The following table presents information regarding the beneficial ownership of our common stock and preferred stock as of such date by:

- Each person who beneficially owns more than five percent of the outstanding shares of our common stock;
- Each person who beneficially owns outstanding shares of our preferred stock;
- Each director;
- Each named executive officer; and
- All directors and officers as a group.

Name of Beneficial Owner [1]	Number of Shares Beneficially Owned [2]	Percentage Owned [%]
5% Stockholders (excluding Directors and Officers)		
Trident Capital Management-VII,L.L.C. (3)	5,649,864	8.5 %
Venrock Management VI, LLC (4)	4,785,160	7.2 %
Bruce Grossman (5)	3,925,896	5.9 %
Peter Guber (6)	3,921,192	5.9 %
B. Riley Capital Management, LLC (7)	3,308,775	5.0 %
Directors (excluding Executive Officers)		
Paul Schaeffer	564,889	*
Robert Deutschman	461,176	*
Christopher Rogers	188,698	*
Jeffrey Karish	169,889	*
Craig Forman	143,781	*
Mohan Gyani	37,783	*
Named Executive Officers for Fiscal Year Ended March 31, 2016		
William Stone III	920,406	1.4 %
Andrew Schleimer	422,500	*
James Alejandro	40,972	*
All Current Directors and Executive Officers as a Group (9 individuals) (8)	2,926,102	4.4 %

*Less than 1%.

(1) Except as otherwise indicated, the address of each of the persons listed above is c/o Digital Turbine, Inc., 1300 Guadalupe St #302, Austin, TX 78701.

(2) Except as specifically indicated in the footnotes to this table, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options, warrants or rights held by that person that are currently exercisable or convertible or exercisable, convertible or issuable within 60 days of July 20, 2016, are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(3) Based solely on a Schedule 13G filed jointly on March 13, 2015 with the SEC by Trident Capital Management-VII, L.L.C. ("TCM-VII", Trident Capital Fund-VII, L.P. ("Fund-VII"), and Trident Capital Fund-VII Principals Fund, L.P. ("Principals-VI"). TCM-VII is the sole general partner of Fund-VII and Principals-VII. TCM-VII may be deemed the beneficial owner of 5,649,864 shares of which Fund-VII directly owns 5,493,611 shares and Principals-VII directly owns 156,253 shares. The address of TCM-VII, Fund-VII and Principals-VII is 505 Hamilton Avenue, Suite 200, Palo Alto, CA 94301.

(4) Based solely on a Schedule 13G filed jointly on March 12, 2015 with the SEC, by Venrock Management VI, LLC ("VM VI"), Venrock Associates VI, L.P. ("VA VI"), Venrock Partners VI, L.P. ("VP VI"), and Venrock Partners Management VI, LLC ("VPM VI"). VM VI is the general partner of VA-VI, and VPM VI is the general partner of VP VI. Of such shares, 4,436,799 shares of common stock are owned by VA-VI and 348,361 shares of common stock are owned by VP-VI. Venrock. The address of Venrock Management VI, LLCVM VI, VA VI, VP, VI and VPM VI is 3340 Hillview Avenue, Palo Alto, CA 94304.

(5) Based solely on a Schedule 13G filed on March 13, 2016 with the SEC, Bruce Grossman is the direct beneficial owner of 24,600 of such shares. Dillon Hill Capital, LLC, of which Mr. Grossman is the sole member, owns 625,020 shares; Dillon Hill Investment Company, LLC, the sole member of which is a trust of which Mr. Grossman's spouse is a cotrustee, owns 1,381,772 shares; and Debbon Capital, L.P., of which Mr. Grossman is the general partner, owns 1,894,504 shares. The address of Bruce Grossman is 3200 Business Park Drive, Suite 306, Armonk, NY 10504.

(6) Based solely on information known to us. Consists of (i) 212,800 shares held by Mr. Guber, (ii) 3,572,678 shares held by the Guber Family Trust of which Mr. Guber is a trustee, (iii) 35,714 shares of common stock issuable upon exercise of warrants at an exercise price of $3.50 per share, and (iv) 100,000 shares of common stock issuable upon the exercise of stock options that are currently exercisable at an exercise price of $13.75 per share.

(7) Based solely on a Schedule 13G filed jointly on January 21, 2016 with the SEC by BRC Partners Opportunity Fund, L.P. (“BPOF”), B. Riley Capital Management, LLC ("BRCM"), investment advisor and general partner of BPOF, B. Riley Financial, Inc. ("BRF"), B. Riley & Co., LLC ("BRC"), Robert Antin Children Irrevocable Trust dtd 1/1/01 ("Antin Trust"), and Bryant R. Riley ("Mr. Riley"), Mr. Riley is the chief executive officer of BRCM and portfolio manager of BPOF, chairman of BRF and BRC, and trustee of the Antin Trust. Of such shares (i) BPOF directly owns 2,009,119 shares, and BRCM and Mr. Riley may be deemed to beneficially own the all shares owned by BPOF; (ii) BRF directly owns 850,671 shares, which Mr. Riley may be deemed to beneficially own; (iii) BRC directly owns 44,955 shares, which Mr. Riley may be deemed to beneficially own; (iv) the Antin Trust directly owns 200,000 shares, which Mr. Riley may be deemed to beneficially own; and (v) Mr. Riley owns 204,030 shares. The principal business address of each of BPOF, BRCM, BRC, the Antin Trust and Mr. Riley is 11100 Santa Monica Blvd. Suite 800, Los Angeles, CA 90025. The principal place of business of BRF is 21860 Burbank Blvd. Suite 300 South, Woodland Hills, CA 91367.

(8) Includes shares issuable upon the exercise of stock options that are exercisable within 60 days of July 20, 2016 as follows: Mr Schaefer, 60,000 shares; Mr. Gyani, 14,583 shares; Mr. Stone, 408,326 shares; Mr. Schleimer, 222,500 shares; Mr. Wesch 16,528 shares.

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

Certain Relationships and Related Transactions

Sift Transactions

On December 28, 2015, the Company’s wholly-owned subsidiary, DTM, entered into a license with respect to certain of DTM’s intellectual property assets described below (the “License Agreement”) with Sift, in exchange for shares of Sift’s newly-issued Preferred Stock (as hereinafter defined) pursuant to a Stock Purchase Agreement (the “Stock Purchase Agreement”) and a cash payment. At the same time, DTM also entered into a publishing agreement with Sift (the “Publishing Agreement”), as well as certain other ancillary agreements, all as described below. Sift was formed by Jud Bowman, a former director of the Company until Janaury 2016. Mr. Bowman is Sift’s President, Chief Executive Officer and one of its significant shareholders. The License Agreement, the Stock Purchase Agreement, the Publishing Agreement, the ancillary agreements and the transactions contemplated thereby are referred to as the “Sift Transactions”. The Sift Transactions were unanimously approved by the independent and disinterested members of the Company’s Board other than Mr. Bowman.

License Transaction.

The Licensed Assets (as hereinafter defined) were originally acquired as part of the Company’s merger with Appia earlier in 2015, and relate to development-stage real-time bidding technology, an ancillary part of Appia’s (now DTM’s) advertising business. Pursuant to the License Agreement, DTM granted to Sift an irrevocable, non-exclusive and royalty-free license to its real-time bidder and certain other technology needed to operate the core real-time bidding assets (collectively, the “Licensed Assets”). In consideration of the license to Sift, DTM received $1,000,000, in cash, 9.9% of the authorized and issued shares of Sift in the form of Series Seed Convertible Preferred Stock (the “Preferred Stock”) a seat on the board of directors of Sift and a variety of other rights referenced below.

Pursuant to the License Agreement, DTM’s license of the Licensed Assets to Sift is perpetual. DTM agreed that it will not license or sell the core real-time bidding assets to any third parties for any purpose (except in connection with a Change of Control (as defined in the License Agreement) of the Company or DTM), and DTM will not license or sell certain related but non-core licensed assets to any third parties (except in connection with a Change of Control of the Company or DTM) within the field of the programmatic advertising business. Notwithstanding the foregoing limitations on licensing or selling of the core real-time bidding assets and non-core licensed assets, DTM can use any of the Licensed Assets for its own purposes. DTM currently has, and intends to continue, its real-time bidding operations. Each party owns any developments or improvements that each such party may make in the future with respect to the Licensed Assets.

DTM is providing certain warranties and indemnities to Sift regarding the Licensed Assets, subject to various limitations, as detailed in the License Agreement.

Publisher Agreement.

Pursuant to the Publisher Agreement, DTM and Sift (as publisher) entered into DTM's standard form of Publisher Agreement for a term of one year, subject to certain exclusivity and matching provisions. Sift is obligated for such period to use DTM as the exclusive provider of advertising that is available through DTM as set forth in the Publisher Agreement.

Stock Purchase Agreement.

The Company received 9.9% of Sift's capital stock in the form of newly-issued Preferred Stock, which is convertible into Sift Common Stock ("Common Stock") under certain circumstances, and is redeemable upon the fifth (5th) anniversary of issuance of the Preferred Stock by the holders of a majority of the Preferred Stock. For so long as it holds Preferred Stock, DTM is entitled to nominate for election one member of the five-member Board of Sift. The DTM nominated director is Bill Stone. The Preferred Stock as a class has a variety of other rights, preferences and privileges typically associated with early-stage preferred stock, including a liquidation preference of $1.00 per share and certain veto rights. DTM received 999,000 shares of Preferred Stock. Sift sold and issued an additional 3,190,000 shares of its Series Seed Preferred Stock to other investors led by Wakefield Group IV, LLC for a total cash consideration of $3,190,000.

Pursuant to the Stock Purchase Agreement, Sift issued the Preferred Stock to DTM and other accredited and institutional investors pursuant to a private placement exempt from the registration requirements of applicable securities laws. Mr. Bowman serves as Sift's President and Chief Executive Officer and, upon Sift's formation, entered into an agreement to receive 5,311,000 shares of restricted Sift Common Stock, representing in the aggregate approximately 53% of Sift's fully-diluted capital stock immediately following the sale of the Series Seed Preferred Stock.

Ancillary Agreements.

Pursuant to an Employment Agreement and related Restricted Stock Agreement, Sift agreed to employ Mr. Bowman as President and Chief Executive Officer of Sift for an initial term of three (3) years subject to renewal. Mr. Bowman's base salary is $200,000 per annum with discretionary, performance-based targeted bonuses of up to 50% of base salary and full participation in Sift's benefit plans. Mr. Bowman purchased 5,311,000 restricted common shares, which rank beneath the Preferred Stock, at an aggregate price of approximately $60,000. The restricted shares are subject to a Sift repurchase option at the original purchase price if his employment is terminated for any reason on or before December 28, 2019. The repurchase option expires on an accelerated basis if he is terminated Without Cause or for Good Reason (as such terms are defined in the Employment Agreement) as follows: (i) 25% expires if he is terminated prior to the 6-month anniversary from the effective date; and (ii) 50% expires if he is terminated after the 6-month anniversary from the effective date if such repurchase option then applies to less than 50% of the restricted shares after passage of time. In addition, 100% of the repurchase option expires upon a "Change of Control." Mr. Bowman also is eligible for severance in the event of termination Without Cause or for Good Reason (as such terms are defined in the Employment Agreement), and is subject to certain in-term and post-term restrictive covenants, including post-term non-competition and non-solicitation covenants for a period of 18 months. Mr. Bowman remains a Digital Turbine, Inc. director. Concurrent with the Employment Agreement, Mr. Bowman has entered into Sift's standard Non-Disclosure, Non-Solicitation and Inventions Assignment Agreement.

Pursuant to an Investor Rights Agreement, the holders of Preferred Stock (including DTM), together with certain Key Holders (as hereinafter defined), are accorded certain registration rights, preemptive rights, information rights and other customary provisions. The Investor Rights Agreement includes other customary provisions including preemptive rights, registration rights, financial information rights and a 180-day market standoff provision. In addition, the Investor Rights Agreement terminates certain of DTM's rights in the event of certain limited, willful and material breaches by DTM of the License Agreement.

In addition, pursuant to a Right of First Refusal and Co-Sale Agreement, any proposed transfer of Common Stock by the key holders of such shares (including Mr. Bowman) (the "Key Holders") require notice to Sift and each of the holders of Preferred Stock; such agreement provides Sift and then the holders of Preferred Stock certain rights of first refusal to acquire the Key Holders' shares proposed to be transferred, subject to certain exclusions, and certain co-sale rights, after customary notice and exercise periods, and to participate in any sale by the Key Holders to any third party upon the same economic terms to which all or a portion of the Key Holders' shares are subject. In addition, the Right of First Refusal and Co-Sale Agreement terminates certain of DTM's rights in the event of certain limited, willful and material breaches by DTM of the License Agreement.

A Voting Agreement sets forth certain voting rights and obligations of the holders of Common Stock and Preferred Stock. Under the Voting Agreement, the holders of Common Stock and Preferred Stock are required to vote their shares to elect five (5) directors of Sift as follows: (i) one director nominated by Wakefield Group IV, LLC, (ii) one director nominated by

DTM, (iii) two directors nominated by a majority of the Key Holders, each of whom shall be independent of Mr. Bowman so long as he continues to serve as President and Chief Executive Officer, and (iv) one director who shall be the "CEO director."

The Voting Agreement includes other customary provisions including an irrevocable proxy, a change of control provision for a sale of Sift and termination upon underwritten public offering or sale of Sift. In addition, the Voting Agreement terminates certain of DTM's rights in the event of certain limited, willful and material breaches by DTM of the License Agreement.

Pursuant to the Transition Services Agreement, DTM agreed to provide Sift limited transition services for a period of 90 days following the Closing (as such term is defined in the Transition Services Agreement) in connection with the Sift Transactions for certain fees and reimbursement of certain out-of-pocket costs.

Director Independence

Under the NASDAQ Stock Market Marketplace Rules, a director will only qualify as an independent director if, in the opinion of our Board, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. As of June 20, 2016, the independent directors of the Board were Robert Deutschman, Christopher Rogers, Craig Forman, Jeffrey Karish, Mohan Gyani, and Paul Schaeffer within the independence requirements of Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market, Inc.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Fees

Aggregate fees for professional services rendered to us by SingerLewak LLP, our independent registered public accounting firm engaged to provide audits for the fiscal years ended March 31, 2016 and March 31, 2015, were:

	Year Ended March 31, 2016	Year Ended March 31, 2015
Audit fees	$ 332,978	$ 377,284
Audit related fees	68,149	9,649
Tax fees	45,611	—
All other fees		46,674
Total	$ 446,738	$ 433,607

Policy on Pre-Approval of Audit and Permissible Non-audit Services of Independent Auditors

Consistent with the SEC policies regarding auditor independence, our Board of Directors has responsibility for appointing, setting compensation and overseeing the work of the independent auditor. In recognition of this responsibility, our Board of Directors has established a policy to pre-approve all audit and permissible non-audit services provided by the independent auditor.

Prior to engagement of the independent auditor for the next year's audit, management will submit an aggregate of services expected to be rendered during that year for each of the following four categories of services to the Board of Directors for approval.

1. ***Audit*** services include audit work performed in the preparation of financial statements, as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

3. ***Tax*** services include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and includes fees in the areas of tax compliance, tax planning, and tax advice.

4. ***Other Fees*** are those associated with services not captured in the other categories.

Prior to engagement, the Board of Directors pre-approves these services by category of service. The fees are budgeted and the Board of Directors requires the independent auditor and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Board of Directors requires specific pre-approval before engaging the independent auditor.

The Board of Directors may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Board of Directors at its next scheduled meeting.

Our Board of Directors pre-approved the retention of the independent auditors for all audit and audit-related services during fiscal 2016 and 2015.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Annual Report on Form 10-K:

1. Consolidated Financial Statements:

Our consolidated financial statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

The supplementary financial information required by this Item 8 is set forth in Note 19 of the Notes to the Consolidated Financial Statements under the caption "Supplemental Consolidated Financial Information".

2. Financial Statement Schedules

Unaudited Quarterly Results and Valuation and Qualifying Accounts for the three fiscal years ended March 31, 2016, 2015, and 2014 is included in Note 19 of Notes to Consolidated Financial Statements included in Part II Item 8 "Financial Statements and Supplementary Data." All other schedules called for by Form 10-K are omitted because they are inapplicable or the required information is shown in the consolidated financial statements, or notes thereto, included herein.

3. Exhibits

See the Exhibit Index immediately following the signature page of this Annual Report on Form 10-K/A.

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.

Principal Executive Officer:

	Digital Turbine, Inc.	
Dated: July 29, 2016		
	By:	/s/ William Stone
		William Stone
		Chief Executive Officer (Principal Executive Officer)

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of December 31, 2007, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 2, 2008.
2.2	Amendment to Agreement and Plan of Merger, dated as of February 12, 2008, by and among NeuMedia Media, Inc., Twistbox Acquisition, Inc., Twistbox Entertainment, Inc. and Adi McAbian and Spark Capital, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008.
2.3	Agreement and Plan of Merger, dated November 13, 2014, by and among Mandalay Digital Group, Inc., DTM Merger Sub, Inc., and Appia, Inc., incorporated by reference to our Amended Current Report on Form 8-K/A (File No. 001-35958), filed with the Commission on November 18, 2014.
3.1	Certificate of Incorporation, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
3.2	Certificate of Merger merging Mediavest, Inc., a New Jersey corporation, with and into NeuMedia Media, Inc., a Delaware corporation, as filed with the Secretary of State of the State of Delaware, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
3.3	Certificate of Ownership merging Mandalay Digital Group, Inc. into Neumedia, Inc., dated February 2, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
3.4	Certificate of Amendment of Certificate of Incorporation, dated August 14, 2012, incorporated by reference to Appendix B of the Registrant's Definitive Information Statement on Form 14-C (File No. 000-10039), filed with the Commission on July 10, 2012.
3.5	Certificate of Amendment of Certificate of Incorporation, dated March 28, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013.
3.6	Certificate of Correction of Certificate of Amendment, dated April 9, 2013, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on April 18, 2013
3.7	Certificate of Amendment of Certificate of Incorporation, as amended, filed with the Secretary of State of the State of Delaware on January 13, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 16, 2015.
3.8	Bylaws, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007.
3.9	Certificate of Amendment of the Bylaws of NeuMedia, Inc., dated February 2, 2012, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 7, 2012.
3.10	Certificate of Amendment of the Bylaws dated March 6, 2015 (incorporated by reference to our Current Report on Form 8-K (File No. 001-10039) filed with the Commission on March 11, 2015).
3.11	Amendment of Bylaws of Digital Turbine, Inc., adopted March 17, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 20, 2015.
4.1	Form of Warrant Relating to Equity Financing Binding Term Sheet, dated as of March 1, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.2	Form of Warrant Relating to Equity Financing Binding Term Sheets, dated as of March 5, 2012, incorporated by reference to our Annual Report on Form 10-K (File No. 000-10039), filed with the Commission on June 29, 2012.
4.3	Common Stock Purchase Warrant dated March 6, 2015 issued to North Atlantic SBIC IV, L.P., incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
4.3.1	Amendment to Common Stock Purchase Warrant dated as of February 17, 2016 issued to North Atlantic SBIC IV, L.P. #

4.3.2	Second Amendment to Common Stock Purchase Warrant dated as of May 6, 2016 issued North Atlantic SBIC IV, L.P. #
10.1	2007 Employee, Director and Consultant Stock Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007. †
10.1.1	Form of Non-Qualified Stock Option Agreement, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on November 14, 2007†
10.1.2	Amendment to 2007 Employee, Director and Consultant Stock Plan, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 12, 2008. †
10.1.3	Second Amendment to 2007 Employee, Director and Consultant Stock Plan., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on March 28, 2008. †
10.2	Warrant, dated December 23, 2011, made by NeuMedia, Inc. in favor of Adage Capital Management L.P., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 24, 2012. †
10.3	Form of Indemnification with Directors and Executive Officers, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 10, 2012. †
10.4	Amended and Restated 2011 Equity Incentive Plan of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
10.4.1	Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement of Mandalay Digital Group, Inc, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
10.4.2	Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement of Mandalay Digital Group, Inc., incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on May 30, 2012.
10.5	Share Purchase Agreement, dated August 11, 2012, as amended by a first amendment thereto, dated September 13, 2012 among Mandalay Digital Group, Inc., MDG Logia Holdings, Ltd., Logia Group, Ltd., and S.M.B.P. IGLOO Ltd. ., incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on November 19, 2012.
10.6	Share Sale Agreement, dated April 12, 2013, among Digital Turbine Australia Pty Ltd, Digital Turbine, Inc., the Company, and certain other parties set forth therein, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.
10.7	Registration Rights & Lock Up Agreement, dated April 12, 2013 between the Company and various shareholders set forth therein, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039) filed with the Commission on April 17, 2013.
10.8	Form of Equity Financing Binding Term Sheet dated May 23, 2013 with Windsor Media, Inc., incorporated by reference to our Current Report on Form 10-Q (File No. 001-35958) filed with the Commission on August 14, 2013.
10.9	Support Agreement, dated November 13, 2014, between Mandalay Digital Group, Inc. and its Stockholders, incorporated by reference Registrant’s Amended Current Report on Form 8-K/A (File No. 001-35958), filed with the Commission on November 18, 2014.
10.10	Securities Purchase Agreement by and among Appia, Inc., Digital Turbine, Inc., and North Atlantic SBIC IV, L.P., dated March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.10.1	Amendment to Securities Purchase Agreement by and among Digital Turbine Media, Inc. (f/k/a Appia, Inc.),, Digital Turbine, Inc., and North Atlantic SBIC IV, L.P., dated as of February 17, 2016 #
10.10.2	Second Amendment to Securities Purchase Agreement by and among Digital Turbine Media, Inc. (f/k/a Appia, Inc.), Digital Turbine, Inc., and North Atlantic SBIC IV, L.P., dated as of May 7, 2016 #
10.11	Unconditional Secured Guaranty and Pledge Agreement entered into by Digital Turbine, Inc. in favor of North Atlantic SBIC IV, L.P. as of March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.

10.12	Unconditional Secured Guaranty and Pledge Agreement entered into by Digital Turbine, Inc. in favor of Silicon Valley Bank as of March 6, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on March 11, 2015.
10.13	API Service Agreement dated July 5, 2011 with Vodafone Hutchison Australia Pty Limited incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-4/A (File No. 333-200695) filed with the Commission on January 27, 2015.
10.14	IT & Content Services Agreement dated October 11, 2011 with Telstra Corporation Limited incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-4/A (File No. 333-200695) filed with the Commission on January 27, 2015.
10.15	Employment Agreement, effective July 8, 2014, between the Company and Andrew Schleimer, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on July 9, 2014. †
10.16	Employment Agreement, effective September 9, 2014, between the Company and Bill Stone, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958), filed with the Commission on September 15, 2014. †
10.16.1	Amendment, effective May 26, 2016, to Employment Agreement between the Company and William Stone, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on June 1, 2016. †
10.17	Employment Agreement, effective February 10, 2015, between the Company and James Alejandro, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on February 11, 2015. †
10.18	Separation Agreement between Mandalay Digital Group, Inc. and Peter A. Adderton, dated January 15, 2015, incorporated by reference to our Current Report on Form 8-K (File No. 000-10039), filed with the Commission on January 16, 2015.
10.19	Board Equity Ownership Policy, as amended, incorporated by reference to our Current Report on Form 8-K (File No. 001-35958) filed with the Commission on June 25, 2014. †
10.20	Corporate office lease agreement commencing on October 1, 2015, and ending on December 31, 2022 between Thomas C. Calhoon (Landlord) and Digital Turbine, Inc. (Tenant). Incorporated by reference to our Annual Report on Form 10-K (File No. 001-35958), filed with the Commission on June 15, 2015.
10.21	Third Amended and Restated Loan and Security Agreement effective June 11, 2015 between Digital Turbine Media and Silicon Valley Bank. Incorporated by reference to our Annual Report on Form 10-K (File No. 001-35958), filed with the Commission on June 15, 2015.
10.21.1	First Amendment dated November 30, 2015 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 December 4, 2015.
10.22	Intellectual Property License Agreement dated as of December 28, 2015 between Digital Turbine Media, Inc. and Sift Media, Inc., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 9, 2016.
10.23	Publisher Agreement dated as of December 28, 2015 between Digital Turbine Media, Inc. and Sift Media, Inc., incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 9, 2016.
10.24	Sift Media, Inc. Series Seed Convertible Preferred Stock Purchase Agreement dated as of December 28, 2015, incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 9, 2016.
10.25	Employment Agreement between Sift Media, Inc. and Judson S. Bowman dated as of December 28, 2015, incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 9, 2016.
10.26	Restricted Stock Agreement between Sift Media, Inc. and Judson S. Bowman dated as of December 28, 2015, incorporated by reference to our Quarterly Report on Form 10-Q (File No. 000-10039), filed with the Commission on February 9, 2016.
10.27	2008 Equity Incentive Plan for Appia, Inc., incorporated by reference to our Registration Statement on Form S-8 (File

	No. 333-202863), filed with the Commission on March 19,2015.
21.1	List of Subsidiaries #

23.1	Consent of Independent Registered Public Accounting Firm. #
31.1	Certification of William Stone, Principal Executive Officer. *
31.2	Certification of Andrew Schleimer, Principal Financial Officer. *
32.1	Certification of William Stone, Principal Executive Officer pursuant to U.S.C. Section 1350. * **
32.2	Certification of Andrew Schleimer, Principal Financial Officer pursuant to U.S.C. Section 1350. * **
101	INS XBRL Instance Document. #
101	SCH XBRL Schema Document. #
101	CAL XBRL Taxonomy Extension Calculation Linkbase Document. #
101	DEF XBRL Taxonomy Extension Definition Linkbase Document. #
101	LAB XBRL Taxonomy Extension Label Linkbase Document. #
101	PRE XBRL Taxonomy Extension Presentation Linkbase Document. #

* Filed herewith

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

† Management contract or compensatory plan or arrangement

Previously filed with Annual Report on Form 10-K (File No. 001-10039) filed with the Commission on June 14, 2016.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, William Stone, certify that:

1. I have reviewed this Annual Report on Form 10-K/A Amendment No. 1 of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 2016

By: /s/William Stone

William Stone
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Andrew Schleimer, certify that:

1. I have reviewed this Annual Report on Form 10-K/A Amendment No. 1 of Digital Turbine, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 29, 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 Annual Report on Form 10-K/A Amendment No. 1 for the period ending March 31, 2016 of the Company (the "Form 10-K/A") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 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 Annual Report on Form 10-K/A Amendment No. 1 for the period ending March 31, 2016 of the Company (the “Form 10-K/A”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-K/A fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 29, 2016

By: /s/Andrew Schleimer
Andrew Schleimer
Chief Financial Officer
(Principal Financial Officer)