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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

Commission File Number 00-10039

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

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**22-2267658** (I.R.S. Employer Identification No.)
4751 Wilshire Boulevard, Third Floor **Los Angeles, CA** (Address of Principal Executive Offices)	**90010** (Zip Code)

(310) 601-2500
(Issuer's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer	☐	Accelerated Filer	☐
Non-accelerated Filer	☐ (do not check if smaller reporting company)	Smaller Reporting Company	☒

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of October 30, 2012, the Company had 88,496,516 shares of its common stock, $0.0001 par value per share, outstanding.

MANDALAY DIGITAL GROUP, INC.
FORM 10-Q QUARTERLY REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2012
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PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

Consolidated Balance Sheets (Unaudited)

(In thousands, except share and per share amounts)

	September 30, 2012 (Unaudited)	March 31, 2012 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,137	$ 8,799
Accounts receivable, net of allowances of $108 and $108, respectively	2,068	1,190
Prepaid expenses and other current assets	344	120
Total current assets	5,549	10,109
Property and equipment, net	317	230
Intangible assets, net	5,151	817
Goodwill	4,537	3,640
TOTAL ASSETS	**$ 15,554**	**$ 14,796**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 4,054	$ 3,051
Accrued license fees	1,011	1,155
Accrued compensation	738	582
Current portion of long term debt, net of discounts of $603 and $0, respectively	2,543	75
Warrant derivative liabilities	—	452
Other current liabilities	1,083	705
Total current liabilities	9,429	6,020
Long term debt and convertible debt, net of discounts of $832 and $2,147, respectively	1,564	3,077
Long term contingent liability, less discount of $242	758	—
Total liabilities	$ 11,751	$ 9,097
Stockholders' equity		
Preferred stock		
Series A convertible preferred stock at $0.0001 par value; 200,000 shares authorized, 100,000 issued and outstanding (liquidation preference of $1,000,000)	100	100
Common stock, $0.0001 par value: 200,000,000 shares authorized; 92,269,515 issued and 88,496,516 outstanding at September 30, 2012; 83,506,945 issued and 79,733,946 outstanding at March 31, 2012;	7	7
Additional paid-in capital	137,935	133,300
Treasury Stock (3,772,999 shares at September 30, 2012 and March 31, 2012)	(71)	(71)
Accumulated other comprehensive loss	(197)	(194)
Accumulated deficit	(133,971)	(127,443)
Total stockholders' equity	3,803	5,699
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 15,554**	**$ 14,796**

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

Consolidated Statements of Operations and Comprehensive (loss) Income (unaudited)

(In thousands, except per share amounts)

	3 Months Ended September 30, 2012	3 Months Ended September 30, 2011	6 Months Ended September 30, 2012	6 Months Ended September 30, 2011
Net revenues	$ 912	$ 1,938	$ 2,203	$ 3,831
Cost of revenues				
License fees	299	660	913	1,151
Other direct cost of revenues	77	58	135	115
Total cost of revenues	376	718	1,048	1,266
Gross profit	536	1,220	1,155	2,565
Operating expenses				
Product development	365	484	731	1,149
Sales and marketing	215	222	318	456
General and administrative	3,191	1,200	5,591	2,116
Total operating expenses	3,771	1,906	6,640	3,721
Loss from operations	(3,235)	(686)	(5,485)	(1,156)
Interest and other income / (expense)				
Interest income/ (expense)	(494)	(377)	(954)	(745)
Foreign exchange transaction gain / (loss)	(26)	(31)	(33)	17
Change in fair value of warrant derivative liabilities gain / (loss)	—	(84)	(22)	(27)
Gain / (loss) on settlement of debt	—	247	—	240
Interest and other expense	(520)	(245)	(1,009)	(515)
Loss from operations before income taxes	(3,755)	(931)	(6,494)	(1,671)
Income tax provision	(20)	—	(34)	(31)
Net (loss)/profit	$ (3,775)	$ (931)	$ (6,528)	$ (1,702)
Other comprehensive (loss) / income:				
Foreign currency translation adjustment	$ (34)	$ (59)	(3)	47
Comprehensive (loss) / income	$ (3,809)	$ (990)	$ (6,531)	$ (1,655)
Basic and diluted net income / (loss) per common share	$ (0.04)	$ (0.02)	$ (0.08)	$ (0.04)
Weighted average common shares outstanding, basic and diluted	87,235	41,771	85,877	41,725

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Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)

	Common Stock		Preferred Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income/(Loss)	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at March 31, 2012	83,506,945	$ 7	100,000	$ 100	3,772,999	$ (71)	$133,300	$ (194)	$ (127,443)	$ 5,699
Net loss									(2,753)	(2,753)
Foreign currency translation								31		31
Issuance of restricted stock for services	733,333						929			929
Warrants exercised for services rendered	365,010						473			473
Issuance of common stock for cash	1,428,571						1,000			1,000
Balance at June 30, 2012	86,033,859	$ 7	100,000	$ 100	3,772,999	$ (71)	$135,702	$ (163)	$ (130,196)	$ 5,379
Net loss									(3,775)	(3,775)
Foreign currency translation								(34)		(34)
Issuance of restricted stock for services	25,157						1,356			1,356
Vesting of options issued to employee							23			23
Vesting of shares issued to employee	1,500,000						66			66
Issuance of common stock related to acquisition	937,500						788			788
Balance at September 30, 2012	88,496,516	$ 7	100,000	$ 100	3,772,999	$ (71)	$137,935	$ (197)	$ (133,971)	$ 3,803

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Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

Consolidated Statements of Cash Flows (unaudited)

(In thousands)

	6 Months Ended September 30 2012	6 Months Ended September 30 2011
Cash flows from operating activities		
Net loss	$ (6,528)	$ (1,702)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	197	209
Amortization of debt discount	712	418
Interest accrued	221	—
Allowance for doubtful accounts	—	(11)
Stock-based compensation	66	69
Warrants issued for services	—	84
Stock and stock options issued for services	2,308	104
Increase / (decrease) in fair value of derivative liabilities	21	—
(Increase) / decrease in assets, net of effect of disposal of subsidiary:		
Accounts receivable	(311)	708
Prepaid expenses and other current assets	(46)	(54)
Increase / (decrease) in liabilities, net of effect of disposal of subsidiary:		
Accounts payable	(175)	(70)
Accrued license fees	(144)	239
Accrued compensation	156	(178)
Other liabilities and other items	229	(133)
Net cash used in operating activities	(3,294)	317
Cash flows from investing activities		
Purchase of property and equipment	(8)	(4)
Cash used in acquisition of subsidiary	(3,416)	—
Cash acquired with acquisition of subsidiary	59	—
Net cash used in investing activities	(3,365)	(4)
Cash flows from financing activities		
Issuance of shares for cash	1,000	—
Net cash provided by financing activities	1,000	—
Effect of exchange rate changes on cash and cash equivalents	(3)	48
Net change in cash and cash equivalents	(5,662)	(273)
Cash and cash equivalents, beginning of period	8,799	845
Cash and cash equivalents, end of period	$ 3,137	$ 572
Supplemental disclosure of cash flow information:		
Taxes paid	$ 28	$ 5
Interest paid	$ —	$ —
Noncash investing and financing activities:		
Contingency earn out on acquisition of subsidiary, net of discount	$ (758)	$ —
Acquisition of subsidiary	$ 788	$ —

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

Notes to Unaudited Consolidated Financial Statements

(all numbers in thousands except share and per share amounts)

1. Organization

Mandalay Digital Group, Inc. ("we", "us", "our", the "Company" or "Mandalay Digital"), formerly NeuMedia, Inc. ("NeuMedia"), formerly Mandalay Media, Inc. ("Mandalay Media") and formerly Mediavest, Inc. ("Mediavest"), was originally incorporated in the state of Delaware on November 6, 1998 under the name eB2B Commerce, Inc. On April 27, 2000, it merged into DynamicWeb Enterprises Inc., a New Jersey corporation, the surviving company, and changed its name to eB2B Commerce, Inc. On April 13, 2005, the Company changed its name to Mediavest, Inc. Through January 26, 2005, the Company and its former subsidiaries were engaged in providing business-to-business transaction management services designed to simplify trading between buyers and suppliers. The Company was inactive from January 26, 2005 until its merger with Twistbox Entertainment, Inc. on February 12, 2008. On September 14, 2007, Mediavest was re-incorporated in the state of Delaware as Mandalay Media, Inc. On May 11, 2010, the Company merged with a wholly-owned, newly formed subsidiary, changing its name to NeuMedia, Inc. On February 6, 2012, the Company merged with a wholly-owned, newly formed subsidiary, changing its name to Mandalay Digital Group, Inc.

Twistbox is a global publisher and distributor of branded entertainment content and services primarily focused on enabling the development, distribution and billing of content across mobile networks. Twistbox publishes and distributes its content in a number of countries. Since operations began in 2003, Twistbox has developed an intellectual property portfolio that includes mobile rights to global brands and content from film, television and lifestyle media companies. Twistbox has built a proprietary mobile publishing platform that includes: tools that automate device management for the distribution and billing of images and video; a mobile games development and distribution platform that automates the porting of mobile games and applications to multiple handsets; and a content standards and ratings system globally adopted by major wireless carriers to assist with the responsible deployment of age-verified content. Twistbox has distribution and service agreements with many of the largest mobile operators in the world.

Twistbox is headquartered in the Los Angeles area and has offices in Europe that provide local sales and marketing support for both mobile operators and third party distribution in their respective regions.

On October 23, 2008, the Company completed an acquisition of 100% of the issued and outstanding share capital of AMV Holding Limited, a United Kingdom private limited company ("AMV"), and 80% of the issued and outstanding share capital of Fierce Media Ltd ("Fierce").

AMV is a leading mobile media and marketing company delivering games and lifestyle content directly to consumers in the United Kingdom, Australia, South Africa and various other European countries. AMV markets its well established branded services through a unique Customer Relationship Management platform that drives revenue through mobile internet, print and TV advertising. AMV is headquartered in Marlow, outside of London in the United Kingdom.

On May 10, 2010, an administrator was appointed over AMV Holding Limited in the UK, at the request of the Company's senior debt holder. As from that date, AMV and its subsidiaries are considered to be a discontinued operation. AMV and its subsidiaries were subsequently disposed.

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

On May 11, 2010, Mandalay Media merged into its wholly-owned, newly formed subsidiary, NeuMedia Inc. (“NeuMedia”), with NeuMedia as the surviving corporation. NeuMedia issued: (1) one new share of common stock in exchange for each share of Mandalay Media’s outstanding common stock and (2) one new share of preferred stock in exchange for each share of Mandalay Media’s outstanding preferred stock as of May 11, 2010. NeuMedia’s preferred and common stock had the same status and par value as the respective stock of Mandalay Media and NeuMedia acceded to all the rights, acquired all the assets and assumed all of the liabilities of Mandalay Media.

On June 21, 2010, the Company signed and closed an agreement whereby ValueAct and the AMV Founders, acting through a newly formed company, acquired the operating subsidiaries of AMV (the “Assets”) in exchange for the release of $23,231 of secured indebtedness, comprising a release of all amounts due and payable under the AMV Note and all of the amounts due and payable under the ValueAct Note (as defined below) except for $3,500 in principal. The Company retained all assets and liabilities of Twistbox and the Company.

On December 28, 2011, the Company issued 50,000 shares of the Company’s common stock as part of the consideration for in exchange for the assets of Digital Turbine Group, LLC, the developer of Digital Turbine (“DT”), a technology platform that allows media companies, mobile carriers, and their OEM handset partners to take advantage of multiple mobile operating systems across multiple networks, and offers solutions that allow them to maintain their own branding and personalized, one-to-one relationships with each end-user. DT’s cross-platform user interface and multimedia management system for carriers and OEMs can be integrated with different operating systems to provide a more organized and unified experience for end-users of mobile content across search, discovery, billing, and delivery. Other aspects of the platform, such as a smart content discovery toolbar, allows carriers and OEMs to control the data presented to their users while giving the end-user a more efficient way of finding and purchasing desired content.

On July 27, 2012, the Company set up a wholly-owned Israeli acquisition/holding company, M.D.G. Logia Holdings LTD (“MDG”).

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

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

The Logia Companies are distributors of mobile monetization solutions. The company’s solutions are deployed in top-tier mobile operators and content providers worldwide and include white label app & media stores, in-app payment solutions, and music and TV offerings.

2. Liquidity

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. As reflected in the accompanying consolidated financial statements, the Company has losses from operations and negative cash flows from operations.

Our primary sources of liquidity have historically been issuance of common and preferred stock and borrowings under credit facilities. In fiscal year 2012, the Company raised $9.7 million through issuance of convertible debt and equity financings and through restructuring existing debt to convertible debt. Our current cash resources will not be sufficient to fund our planned operations for the next twelve months. Until we become cash flow positive, we anticipate that our primary sources of liquidity will be cash generated by our operating activities, as well as further borrowings or further capital raises. Because of the uncertainty of these factors, we will need to raise funds to meet our working capital needs. Additional financing may not be available on acceptable terms or at all. If we issue additional equity securities to raise funds, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise any needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our current business plan and, ultimately, our viability as a company.

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

3. Acquisitions/Purchase Price Accounting

On August 14, 2012, the Company, entered into a Share Purchase Agreement (the "Purchase Agreement") to acquire subsidiaries and certain assets of Logia Group, Ltd. ("Logia"), a leading mobile content development and management solutions provider of innovative mobile monetization solutions. On September 13, 2012, the Company completed the transactions contemplated by the Purchase Agreement. As a part of the transaction, the Company, through an acquisition entity, acquired all of the capital stock of three operating subsidiaries of Logia (Logia Content Development and Management Ltd. ("Logia Content"), Volas Entertainment Ltd. ("Volas") and Mail Bit Logia (2008) Ltd. (Mail Bit), (collectively, the "Targets")). In addition, the Company, by assignment to an acquisition entity, acquired from LogiaDeck Ltd. (formerly S.M.B.P. IGLOO Ltd.) (an affiliate of the Seller, "LogiaDeck") the assets comprising the "LogiaDeck" software, and certain operator and other contracts related to the business of the Targets that were entered into by Logia.

The Company is a comprehensive mobile content and service provider, and its many technology platforms including Digital Turbine (DT) allow media companies, mobile carriers, and their OEM handset partners to take advantage of multiple mobile operating systems across multiple networks, while maintaining individual branding and personalized, one-to-one relationships with each end-user. The purpose of the Logia acquisition was an effort not only to build on the Company's current distribution network, but to enhance its mobile content infrastructure with the LogiaDeck solution. The LogiaDeck solution is a complete application management platform for Android devices.

The Company set up an Israeli acquisition/holding company, "M.D.G. Logia Holdings LTD", ("MDG") to acquire the Targets and the LogiaDeck assets, which was capitalized through a combination of intercompany debt and equity.

The purchase consideration for the transaction was comprised of cash and common stock of the Company and two tranches of "earn out" payments of cash and stock, as follows:

(1) At closing $3,750 in cash (subject to working capital adjustments) and a number of shares of Company common stock having a value of $750 (based on a 30-day volume weighted average price (VWAP) look back from the issuance date) or 937,500 shares (the "Closing Shares") was paid and issued, as applicable, to Logia and LogiaDeck;

(2) Two tranches, each comprised of a cash payment of $250 and a number of shares of Company common stock valued at $250 (based on a 30 day VWAP look back from the issuance date) (the "Earn Out Shares"), will be paid and issued, as applicable, to Logia upon satisfaction of various milestones, and subject to the terms and conditions, as set forth in the Purchase Agreement, totaling up to a number of shares of common stock having a value of $500 (valued as described) and $500 of cash if all milestones are achieved.

The Closing Shares and Earnout Shares are subject to a Registration Rights Agreement that provides for piggy back rights for 3 years and inclusion on the Company's currently existing registration statement.

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

	Unaudited
Cash	$ 59
Accounts receivable	567
Prepaid expenses and other assets	178
Fixed assets	140
Customer relationships	3,454
Developed technology	818
Trade names / Trademarks	143
Non-compete agreements	54
Goodwill	897
Current liabilities	(1,314)
Long-term debt	(35)
Purchase price	$ 4,961

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. The initial allocation of excess purchase price is the result of a preliminary analysis performed, and is subject to revision upon finalization.

The Company believes with the acquisition of Logia it will be able to enhance existing products and create new industry-leading products, and also benefit from synergy savings through operational consolidation.

Goodwill has been recorded in our Israeli acquisition/holding company, MDG. The Company is in the process of evaluating goodwill that is deductible for tax purposes.

The initial accounting of the acquisition Logia is incomplete and subject to changes, which may result in significant changes to provisional amounts. The Company has recorded provisional amounts based upon management's best estimate of the value as a result of preliminary analysis. Therefore, actual amounts recorded upon the finalization of certain intangible assets may differ materially from the information presented in this Quarterly report on Form 10-Q.

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The amortization period for the intangible assets is as follows:

	Remaining Useful Life
Customer relationships	10 years
Developed technology	10 years
Trade names / Trademarks	5 years
Non-compete agreements	4 years
Goodwill	Indefinite

The operating results of the Targets are included in the accompanying consolidated statements of operations from the acquisition date. The Targets combined operating results from the acquisition date to September 30, 2012 are as follows:

	unaudited
Revenue	$ 253
Cost of goods sold	146
Gross profit	$ 107
Operating expenses	52
Income from operations	55
Financial expenses, net	(23)
Provision for income tax	7
Net income	$ 25

The pro forma financial information of the Company's consolidated operations if the acquisition of the Targets had occurred as of April 1, 2011 is presented below.

	unaudited Six Months Ended September 30,	
	2012	2011
Revenues	$ 5,118	$ 8,490
Cost of goods sold	2,815	4,899
Gross profit	2,303	3,591
Operating expenses	7,276	4,826
Loss from operations	(4,973)	(1,235)
Non-operating expense	(1,109)	(616)
Loss before provision for income taxes	(6,082)	(1,851)
Provision for income taxes	34	35
Net loss	$ (6,116)	$ (1,886)
Basic and diluted loss per share	$ (0.01)	$ (0.02)

4. Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Revenue Recognition

The Company's revenues are derived primarily by licensing material and software in the form of products (Image Galleries, Wallpapers, video, WAP Site access, Mobile TV), developing and maintaining carrier platforms, mobile advertising, mobile billing and mobile games. License arrangements with the end user can be on a perpetual or subscription basis.

A perpetual license gives an end user the right to use the product, image or game on the registered handset on a perpetual basis. A subscription license gives an end user the right to use the product, image or game on the registered handset for a limited period of time, ranging from a few days to as long as one month.

The Company distributes products through mobile telecommunications service providers ("carriers"). The carrier markets the product, images or games to end users, but the Company may also participate in the marketing efforts with the carrier and is at times required to do so. License fees for perpetual and subscription licenses are usually billed upon download of the product, image or game by the end user. In the case of subscription licenses, many subscriber agreements provide for automatic renewal until the subscriber opts-out, while others provide opt-in renewal. In either case, subsequent billings for subscription licenses are generally billed monthly. The Company applies the provisions of FASB ASC 985-605, *Software Revenue Recognition*, to all transactions.

Revenues are recognized from the Company's products, images and games when persuasive evidence of an arrangement exists, the product, image or game has been delivered, the fee is fixed or determinable, and the collection of the resulting receivable is probable. For both perpetual and subscription licenses, management considers a license agreement to be evidence of an arrangement with a carrier or aggregator and a "clickwrap" agreement to be evidence of an arrangement with an end user. For these licenses, the Company defines delivery as the download of the product, image or game by the end user.

The Company estimates revenues from carriers in the current period when reasonable estimates of these amounts can be made. Most carriers only provide detailed sales transaction data on a one to two month lag. Estimated revenue is treated as unbilled receivables until the detailed reporting is received and the revenues can be billed. Some carriers provide reliable interim preliminary reporting and others report sales data within a reasonable time frame following the end of each month, both of which allow the Company to make reasonable estimates of revenues and therefore to recognize revenues during the reporting period when the end user licenses the product, image or game. Determination of the appropriate amount of revenue recognized involves judgments and estimates that the Company believes are reasonable, but it is possible that actual results may differ from the Company's estimates. The Company's estimates for revenues include consideration of factors such as preliminary sales data, carrier-specific historical sales trends, volume of activity on company monitored sites, seasonality, time elapsed from launch of services or product lines, the age of games and the expected impact of newly launched games, successful introduction of newer and more advanced handsets, promotions during the period and economic trends. 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. Revenues earned from certain carriers may not be reasonably estimated. If the Company is unable to reasonably estimate the amount of revenues to be recognized in the current period, the Company recognizes revenues upon the receipt of a carrier revenue report and when the Company's portion of licensed revenues are fixed or determinable and collection is probable. To monitor the reliability of the Company's estimates, management, where possible, reviews the revenues by country, by carrier and by product line on a regular basis to identify unusual trends such as differential adoption rates by carriers or the introduction of new handsets. 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.

Mandalay Digital Group, Inc. and Subsidiaries
(formerly known as NeuMedia, Inc.)

In accordance with FASB ASC 605-45, *Reporting Revenue Gross as a Principal Versus Net as an Agent*, the Company recognizes as revenues the amount the carrier reports as payable upon the sale of the Company's products, images or games. The Company has evaluated its carrier agreements and has determined that it is not the principal when selling its products, images or games through carriers. Key indicators that it evaluated to reach this determination include:

- wireless subscribers 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;
- 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 game;
- 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;
- the Company has limited risks, including no inventory risk and limited credit risk.

For direct to consumer business, revenue is earned by delivering a product or service directly to the end user of that product or service. In those cases, the Company records as revenue the amount billed to that end user and recognizes the revenue when persuasive evidence of an arrangement exists, the product, image or game has been delivered, the fee is fixed or determinable, and the collection of the resulting receivable is probable. Substantially all of our discontinued operations represents direct to consumer business.

Net Loss per Common Share

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011
Potentially dilutive shares	26,223	28,305	27,099	27,491

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.

During the period prior to the acquisition date, one newly acquired company, Logia Content, had factored certain receivables. Those receivables are reflected as unpaid accounts receivable, and the amounts owing to the factor are reflected in other current liabilities.

Content Provider Licenses

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 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.

Content Acquired

Amounts paid to third party content providers as part of an agreement to make content available to the Company for a term or in perpetuity, without a revenue share, have been capitalized and are included in the balance sheet as prepaid expenses. These balances will be expensed over the estimated life of the content acquired.

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 or game in development to have passed the technological feasibility milestone until the Company has completed a model of the product or game that contains essentially all the functionality and features of the final game 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 or game 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.

Product Development Costs

The Company charges costs related to research, design and development 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, including direct response advertising, the first time the advertising takes place. Advertising expense was $0 and $2 in the three months ended periods ended September 30, 2012 and 2011, respectively and $0 and $6 in the six months ended September 30, 2012 and 2011, respectively.

Restructuring

The Company accounts for costs associated with employee terminations and other exit activities in accordance with FASB ASC 420-10, *Accounting for Costs Associated with Exit or Disposal Activities*. The Company records employee termination benefits as an operating expense when it communicates the benefit arrangement to the employee and it requires no significant future services, other than a minimum retention period, from the employee to earn the termination benefits.

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.

Fair Value of Financial Instruments

As of September 30, 2012 and March 31, 2012, the carrying value of cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued license fees, accrued compensation, derivative liabilities and other current liabilities approximates fair value due to the short-term nature of such instruments.

Derivative Liabilities

The Company applies ASC Topic 815, “Derivatives and Hedging,” which provides a two-step model to determine whether a financial instrument or an embedded feature is indexed to an issuer’s own stock and thus able to qualify for the scope exception in ASC 815-10-15-74. Using the criteria in ASC 815, the Company determines which instruments or embedded features require liability accounting and records the fair values as a derivative liability. The changes in the values of the derivative liabilities are shown in the accompanying consolidated statements of operations as “change in fair value of accrued derivative liabilities gain / (loss).”

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 $3 in the six month period ended September 30, 2012 and gain of $47 in the six month period ended September 30, 2011 have been reported as a component of comprehensive loss in the consolidated statements of stockholders’ equity and comprehensive income.

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Concentrations of Credit Risk

Financial instruments which potentially subject us to concentration of credit risk consist principally of cash and cash equivalents, and accounts receivable. We have placed cash and cash equivalents with a single high credit-quality institution. Most of our sales are made directly to large national Mobile Phone Operators in the countries that we operate. We have a significant level of business and resulting significant accounts receivable balance with one operator and therefore have a high concentration of credit risk with that operator. We perform ongoing credit evaluations of our customers and maintain an allowance for potential credit losses. As of September 30, 2012, one major customer represented approximately 11% of our gross accounts receivable outstanding, and 39% of gross accounts receivable outstanding as of March 31, 2012. This customer accounted for 35% of our gross revenues in the period ended September 30, 2012; and 44% in the period ended September 30, 2011. One other major customer accounted for 13% of revenues for the period ended September 30, 2012.

Property and Equipment

Property and equipment is stated at cost. 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 5 years for other assets.

Goodwill and Indefinite Life Intangible Assets

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

During the six month period ended September 30, 2012 the Company determined that there was no impairment of goodwill. In the year ended March 31, 2012, the Company determined that there was an impairment of goodwill amounting to $2,969.

Impairment of Long-Lived Assets and Finite Life Intangibles

Long-lived assets, including, intangible assets subject to amortization primarily consisting 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.

During the six month period ended September 30, 2012, the Company determined that there was no impairment of intangible assets. In the year ended March 31, 2012, the Company determined that there was an impairment of intangible assets amounting to $2,319.

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Income Taxes

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

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

Stock-based Compensation

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

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

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

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

Preferred Stock

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent asset and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The most significant estimates relate to revenues for periods not yet reported by Carriers, liabilities recorded for future minimum guarantee payments under content licenses, accounts receivable allowances, and stock-based compensation expense.

Recently Adopted Accounting Pronouncements

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company's fiscal year beginning April 1, 2012. The Company expects this guidance to have an impact on the disclosures related to comprehensive income.

Recently Issued Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued amendments to the goodwill and indefinite-lived intangible assets impairment guidance which provides an option for companies to not calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on qualitative assessment, that it is not more likely than not, the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 (early adoption is permitted). The implementation of this amended accounting guidance is not expected to have a material impact on the Company's consolidated financial position and results of operations.

Recent 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 uses Level 2 inputs for its valuation methodology for the warrant derivatives as their fair values were determined by using the Black-Scholes option pricing model based on various assumptions. The Company's 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.

In May 2012, the derivative warrant liability was exercised. Prior to the exercise, the fair value of the derivative warrant liability was determined to be $473 using the Black-Scholes option pricing model with the following assumptions: 1) expected life 5 years, 2) a risk free interest rate of .40%, 3) a dividend yield of 0% and 4) a volatility of 170%.

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

Measured at Fair Value on a Recurring Basis

Warrant derivative liabilities (in thousands)	Total	Level 1	Level 2	Level 3
September 30, 2012	$—	$ —	$ —	$ —
March 31, 2012	$452	$ —	$ 452	$ —

The warrant derivative liability was exercised in the period ending June 30, 2012, and is discussed further at Note 13.

The Company did not identify any other 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

	September 30, 2012	March 31, 2012
Billed	$ 1,280	$ 709
Unbilled	896	589
Less: allowance for doubtful accounts	(108)	(108)
Net Accounts receivable	$ 2,068	$ 1,190

The Company had no significant write-offs or recoveries during the periods ended September 30, 2012 and September 30, 2011.

7. Property and Equipment

	September 30, 2012	March 31, 2012
Equipment	$ 1,385	$ 1,310
Furniture & fixtures	520	484
Leasehold improvements	203	184
	2,108	1,978
Accumulated depreciation	(1,791)	(1,748)
Net Property and Equipment	$ 317	$ 230

Depreciation expense was $31 and $53 in the three months ended September 30, 2012 and 2011 and $57 and $117 in the six months ended September 30, 2012 and 2011, respectively.

8. Description of Stock Plans

On May 26, 2011, our board of directors adopted the 2011 Equity Incentive Plan of NeuMedia, Inc. and on April 27, 2012, our board of directors amended and restated the plan and the related plan documents to change references to the name of our company from “NeuMedia, Inc.” to “Mandalay Digital Group, Inc.” and further directed that they be submitted to 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 Mandalay Digital Group, Inc. (the “Plan”) and the Mandalay Digital Group, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Restricted Stock Agreement and the Mandalay Digital Group, Inc. Amended and Restated 2011 Equity Incentive Plan Notice of Grant and Stock Option Agreement (collectively, the “Related Documents”).

The Plan contains a number of provisions that the board believes are consistent with the interests of stockholders and sound corporate governance practices. These include:

- **Individual Grant Limits.** No participant may be granted in aggregate, in any calendar year, Awards covering more than 500,000 shares.
- **No annual "Evergreen" Provision.** The Plan provides for a fixed allocation of shares, thereby requiring stockholder approval of any additional allocation of shares.
- **No Discount Stock Options.** The Plan prohibits the grant of a stock option with an exercise price of less than the fair market value of the closing price of our common stock on the date the stock option is granted.

Summary Description of the Plan

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

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

Stock options may be either "incentive stock options" ("ISOs"), as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("NQSOs"). The Plan reserves 20,000,000 shares for issuance, of which 15,916,667 remain available for issuance as of September 30, 2012. The 20,000,000 shares reserved for issuance will serve as the underlying value for all equity awards under the Plan.

The following table summarizes options granted under the Company's 2011 Equity Incentive Plan for the periods or as of the dates indicated:

Options

(in thousands)	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2012	—	$ —
Granted	500	$ 0.84
Canceled	—	$ —
Forfeited	—	$ —
Exercised	—	$ —
Outstanding at September 30, 2012	500	$ 0.84

There were no exercisable options outstanding at September 30, 2012.

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The following table summarizes options granted that are not under the Company's 2011 Equity Incentive Plan for the periods or as of the dates indicated:

Options

(in thousands)	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2012	—	$ —
Granted	1,500	$ 0.84
Canceled	—	$ —
Forfeited	—	$ —
Exercised	—	$ —
Outstanding at September 30, 2012	1,500	$ 0.84

There were no exercisable options outstanding at September 30, 2012.

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On September 27, 2007, the stockholders of the Company adopted the 2007 Employee, Director and Consultant Stock Plan ("Plan"). Under the Plan, the Company may grant up to 3,000,000 shares or equivalents of common stock of the Company as incentive stock options (ISO), non-qualified options (NQO), stock grants or stock-based awards to employees, directors or consultants, except that ISO's shall only be issued to employees. Generally, ISO's and NQO's shall be issued at prices not less than fair market value at the date of issuance, as defined, and for terms ranging up to ten years, as defined. All other terms of grants shall be determined by the board of directors of the Company, subject to the Plan.

On February 12, 2008, the Company amended the Plan to increase the number of shares of our common stock that may be issued under the Plan to 7,000,000 shares and on March 7, 2008, amended the Plan to increase the maximum number of shares of the Company's common stock with respect to which stock rights may be granted in any fiscal year to 1,100 shares. All other terms of the plan remain in full force and effect.

The following table summarizes options granted under the Company's 2007 Employee, Director and Consultant Stock Plan equity compensation plan for the periods or as of the dates indicated:

Option Plans

(in thousands)	Number of Shares	Weighted Average Exercise Price
Outstanding at March 31, 2012	4,798	$ 1.80
Granted	—	$ —
Canceled	—	$ —
Forfeited	—	$ —
Exercised	—	$ —
Outstanding at September 30, 2012	4,798	$ 1.80
Exercisable at September 30, 2012	4,798	$ 1.80

The exercise price for options outstanding and options exercisable at September 30, 2012 was as follows:

Range of Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Outstanding and Exercisable September 30, 2012	Weighted Average Exercise Price	Aggregate Intrinsic Value
$0 - $1.00	3.77	2,698	$ 0.47	$952,714
$2.00 - $3.00	5.72	1,300	$ 2.75	$ —
$4.00 - $5.00	5.37	800	$ 4.75	$ —
	4.56	4,798	$ 1.80	$952,714

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Stock Plans

The Company's 2007 Employee, Director and Consultant Stock Plan equity compensation plan did not contain nonvested options as of September 30, 2012 and March 31, 2012.

As of September 30, 2012, under the Company's 2007 Employee, Director and Consultant Stock Plan equity compensation plan, there was $0 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan.

Total stock compensation expense for the Company's 2007 Employee, Director and Consultant Stock Plan equity compensation plan and Amended and Restated 2011 Equity Incentive Plan is included in the following statements of operations components:

	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011
Product development	$ —	$ 69
Sales and marketing	—	—
General and administrative	1,713	—
	$ 1,713	$ 69

9. Goodwill

Goodwill

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

Balance at March 31, 2012	$3,640
Goodwill impairment	—
Balance at June 30, 2012	$3,640
Acquisition unaudited	897
Balance at September 30, 2012	$4,537

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. The initial accounting of the Goodwill of Logia is incomplete and subject to changes, which may result in significant changes to provisional amounts. The Company has recorded provisional amounts based upon management's best estimate of the value as a result of preliminary analysis.

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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 indications of impairment present during the period ended September 30, 2012. The Company recorded an impairment charge of $2,969 for the year ended March 31, 2012.

10. Intangible Assets

The components of intangible assets as at September 30, 2012 and March 31, 2012 were as follows:

	unaudited As of September 30, 2012		
	Cost	Accumulated Amortization	Net
Software	$2,429	$ (1,068)	$1,361
Trade name / Trademark	297	(2)	$ 295
Customer list	4,675	(1,234)	$3,441
License agreements	498	(444)	$ 54
	$7,899	$ (2,748)	$5,151

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 indications of impairment present during the period ended September 30, 2012. However the Company recorded an increase in intangible assets for the acquisition of the Logia companies and LogiaDeck of $4,489. The Company recorded an impairment charge of $2,319 for the year ended March 31, 2012.

	As of March 31, 2012		
	Cost	Accumulated Amortization	Net
Software	$1,611	$ (948)	$663
Trade name / Trademark	154	—	$154
Customer list	1,220	(1,220)	$ (0)
License agreements	443	(443)	$ (0)
	$3,428	$ (2,611)	$817

The Company has included amortization of acquired intangible assets directly attributable to revenue-generating activities in cost of revenues. During the periods ended September 30, 2012 and 2011, the Company recorded amortization expense in the amount of $116 and $116, respectively, in cost of revenues.

Based on the amortizable intangible assets as of September 30, 2012, we estimate future amortization expense to be as follows:

Year Ending September 30,	Amortization Expense (in thousands)
2013	$ 701
2014	701
2015	553
2016	466
2017	449
Future	2,129
	$ 4,999

The initial accounting of the Intangibles of Logia is incomplete and subject to changes, which may result in significant changes to provisional amounts. The Company has recorded provisional amounts based upon management's best estimate of the value as a result of preliminary analysis.

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11. Debt

	September 30, 2012	March 31, 2012
Short Term Debt		
Equipment Leases and accrued interest on debt	23	2
Senior secured note, including PIK interest, net of discount of $603 and $0, respectively	$ 2,299	$ —
Senior secured note, short term accrued interest	221	73
	$ 2,543	$ 75

	September 30, 2012	March 31, 2012
Long Term Debt		
Senior secured note, including PIK interest, net of discount, of $0 and $1,648, respectively	—	1,881
Convertible note, including accrued interest, net of discount, of $832 and $0, respectively	372	60
Secured note, including PIK interest and accrued interest	1,192	1,136
	$ 1,564	$ 3,077

	September 30, 2012	March 31, 2012
Contingent Liabilities		
Contingent liability, net of discount of $242 and $0, respectively	$ 758	$ —

Convertible Debt

ValueAct Note

In connection with the disposal of AMV on June 21, 2010, all amounts due and payable under the AMV Note were released, and the ValueAct Note was amended and restated in its entirety and reduced to $3,500 of principal (the “Amended ValueAct Note”).

On December 16, 2011, the ValueAct Note was purchased in its entirety by Taja LLC (“Taja”) and was amended to remove certain negative covenants from the Note (the “Amended Taja Note”). The Purchase of the ValueAct Note was independent of the Company, and the Company did not receive or pay out any cash related to this transaction.

On December 29, 2011, the Company and Taja entered into a binding term sheet for convertible note financing (“Taja Convertible Note”) and effectively a third amendment to the Second Amended Note (“Third Amended Note”). The Taja Convertible Note became effective on February 27, 2012. The Third Amended Note (1) changed the maturity date of the note from June 21, 2013 to June 21, 2015, (2) extended the payment in kind (“PIK”) election to the note through the revised term, and (3) stripped out $3,000 of principal to create the Taja Convertible Note, leaving a principal balance of $500 plus accrued interest of $562 for a total of $1,062. As consideration for amending the note, Taja also received a warrant (“Incentive Warrant”) to purchase 2,000 shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. Taja also received 25% warrant coverage (“Coverage Warrant”) determined by dividing the principal amount of the Taja Convertible Note by the conversion price multiplied by 25%. The Incentive Warrant and the Coverage Warrant each have a five year term and vest one year from issue date. The Coverage Warrant was initially recorded as a derivative liability upon issuance. As discussed in Note 13, the Company received a waiver from the Senior Secured Convertible note holders on March 26, 2012 which allowed the Company to reclassify the Convertible Note Warrant from a derivative liability to additional paid-in capital. The Company assessed the debt modification for the Third Amended Note and determined that it met the requirements for extinguishment accounting per FASB ASC 470 and accordingly, recorded a loss on extinguishment of debt of $1,459 for the year ended March 31, 2012.

On March 1, 2012, the Company and Taja entered into a second binding term sheet ("Amended Taja Convertible Note") to amend certain provisions of the December 29, 2011 binding term sheet, (1) the maturity date was revised to March 1, 2014, (2) the conversion price was amended to $0.70 share, (3) conversion of the note must not cause the holder to exceed 4.9% ownership, except that on the maturity date the entire remaining amount of principle and interest shall automatically convert into shares of common stock of the Company, (4) the Amended Taja Convertible Note becomes accelerated and immediately due and payable upon the consummation by the Company of one or more equity sales from and after March 1, 2012 resulting in aggregate net proceeds of at least $10,000, (5) the conversion date was to occur the earlier of (x) the date that the long-form documents are executed and delivered to all parties, and (y) March 19, 2012, (6) the 2,000 Incentive Warrants issued as consideration for the Third Amended Note were amended to vest and be exercisable one year from March 1, 2012, (7) the exercise date of the Coverage Warrants was amended to one year following the conversion date, and (8) the term sheet was binding on the parties and their respective successors and assigns regardless of whether the parties execute long form agreements, as opposed to the previous term sheet that contemplated going to long form agreements.

The Company determined that the Amended Taja Convertible Note has an embedded conversion feature that is required to be bifurcated and measured at fair value at each reporting. At the date of issuance, the fair value of the embedded conversion feature was $2,250 using the Black-Scholes option pricing model with the following assumptions:

- Expected life of 1 years
- Risk free interest rate of .17%
- Dividend yield of 0%
- Volatility of 175%.

The Company determined the fair value of the Coverage Warrant and the Incentive Warrant to be $750 and $1,459, respectively, using the Black-Scholes option pricing model with the following assumptions:

- Expected life of 5 years
- Risk free interest rate of .84%
- Dividend yield of 0%
- Volatility of 175%.

The combined total discount pertaining to the conversion factor of the Taja Convertible Note and the Coverage Warrant was originally limited to the face value of the Taja Convertible Note of $3,000 and is being amortized over the term, with the $837 fair value of the embedded conversion feature that exceeded the face value being charged to operations as interest expense during the year ended March 31, 2012.

On March 19, 2012, the Company issued 2,600 shares of its common stock to Taja for the conversion of $1,820 of the Amended Taja Convertible Note. The Company expensed to interest expense the debt discount on a pro rata basis of the amount converted to the original debt amount to reflect the conversion of the $1,820. Through the six month period ended September 30, 2012, the Company recorded interest expense of $295 related to the amortization of the debt discount. The remaining discount of $832 will be amortized over the period ending March 1, 2014. The Company assessed the conversion of $1,820 and determined that it met the requirements for extinguishment accounting per FASB ASC 470 and accordingly, recorded a gain on extinguishment of debt of $1,346 for the year ended March 31, 2012.

As of September 30, 2012, the outstanding principal and accrued interest of $1,204 is convertible into approximately 1,720,568 shares of common stock at a conversion price of $0.70. At September 30, 2012, the if-converted value exceeds the principal and accrued interest by approximately $206.

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Senior Secured Convertible Notes

On June 21, 2010, for purposes of capitalizing the Company, the Company sold and issued $2,500 of Senior Secured Convertible Notes due June 21, 2013 (the “New Senior Secured Notes”) to certain of the Company’s significant stockholders. The New Senior Secured Notes have a three year term and bear interest at a rate of 10% per annum payable in arrears semi-annually. The entire principal balance is due in one lump sum payment on June 21, 2013. Notwithstanding the foregoing, at any time on or prior to the 18th month following the original issue date of the New Senior Secured Notes, the Company may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to the 18th month following the original issue date of the New Senior Secured Notes be added to the principal due under the New Senior Secured Notes. The accrued and unpaid principal and interest due on the New Senior Secured Notes are convertible at any time at the election of the holder into shares of common stock of the Company at a conversion price of $0.15 per share, subject to adjustment. The New Senior Secured Notes are secured by a first lien on substantially all of the assets of the Company and its subsidiaries pursuant to the terms of that certain Guarantee and Security Agreement, dated as of June 21, 2010, among Twistbox, the Company, each of the subsidiaries thereof party thereto, the investors party thereto and Trinad Management. The Amended ValueAct Note is subordinated to the New Senior Secured Notes pursuant to the terms of that certain Subordination Agreement, dated as of June 21, 2010, by and between Trinad Capital Master Fund, and ValueAct, and each of the Company and Twistbox.

Each purchaser of a New Senior Secured Note also received a warrant (“Warrant”) to purchase shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. For each $1 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of the Company. Each Warrant has a five year term.

The Warrants granted to the New Senior Secured Note holders on June 21, 2010 and conversion feature in the New Senior Secured Notes are not considered derivative instruments since the Warrants and the New Senior Secured Notes have a set conversion price and all of the requirements for equity classification were met. The Company determined the fair value of the detachable warrants issued in connection with the New Senior Secured Notes to be $1,678, using the Black-Scholes option pricing model and the following assumptions: expected life of 5 years, a risk free interest rate of 2.05%, a dividend yield of 0% and volatility of 54.62%. In addition, the Company determined the value of the beneficial conversion feature to be $5,833. The combined total discount for the New Senior Secured Notes is limited to the face value of the New Senior Secured Notes of $2,500 and is being amortized over the term of the New Senior Secured Notes. For the six months ended September 30, 2012, the Company amortized $418 of the aforesaid discounts as interest and financing costs in the accompanying consolidated statements of operations. The remaining discount of $603 will be amortized over the period ending June 21, 2013.

As per the Senior Secured Convertible Note, interest accrued through and including December 31, 2011 may be added to the principal.

As of September 30, 2012, the outstanding principal and accrued interest of $2,902 is convertible into approximately 19,344,792 shares of common stock at a conversion price of $0.15. At September 30, 2012, the if-converted value exceeds the principal and accrued interest by approximately $12,961. Interest accrued through September 30, 2012 that is not convertible, and may not be added to the principal is $221.

Contingent Liabilities

In addition to the Closing Share Purchase Agreement (the “Purchase Agreement”) to acquire subsidiaries and certain assets of Logia Group, Ltd. (“Sellers”), the Sellers are entitled to receive certain contingent purchase consideration upon achieving certain milestones. Should all milestones be achieved, the total consideration would be $1,000 payable in cash and shares of stock of the Company. The Company has recorded the fair value of the contingent liability in Long Term Debt, net of a discount of $242.

12. Related Party Transactions

The Company engages in various business relationships with shareholders and officers and their related entities. The significant relationships are disclosed below.

On September 14, 2006, the Company entered into a five year management agreement ("Agreement") with Trinad Management, the manager of Trinad Capital Master Fund, which is one of our principal stockholders. In addition, Robert Ellin, our director, is the managing director of and portfolio manager for Trinad Management. Pursuant to the terms of the Agreement, Trinad Management provided certain management services, including, without limitation, relating to the sourcing, structuring and negotiation of a potential business combination transaction involving the Company in exchange for a fee of $90 per quarter, plus reimbursements of all related expenses reasonably incurred. The Agreement expired on September 14, 2011, but was extended to December 31, 2011. During the periods ended September 30, 2012 and September 30, 2011, the Company incurred management fees under the agreement of $0 and $90, respectively. At September 30, 2012 and March 31, 2012, the accrued payable to Trinad Management was $0 and $135, respectively.

On December 28, 2011, we entered into an executive chairman agreement with Robert Ellin that provides for a one-year term and an annual fee of $450, half of which was deferred until certain debt and/or equity financings were consummated. Such financings were consummated, and Mr. Ellin has received his full fee since April 1, 2012 and received a lump sum payment for the portion of his fee that was deferred from December 28, 2011 to March 31, 2012 on April 6, 2012. Mr. Ellin shall be entitled to be paid an annual incentive bonus in cash in an amount of up to one hundred percent (100%) of the annual fee based upon satisfaction of performance-related milestones to be agreed upon between Mr. Ellin and the other members of our board of directors.

Mr. Ellin shall also be reimbursed for the annual fee of a personal assistant of up to $80 during the term of this executive chairman agreement.

Mr. Ellin also received three grants totaling 8,000,000 shares of our restricted common stock and vests as follows:

- The first grant of 3,400,000 was granted under the executive chairman agreement and vests as follows: (i) one third vested upon the completion our most recent equity financing; (ii) one third shall vest if on any date during the term or within 12 months following the term, our total enterprise value equals or exceeds $100,000; and (iii) one third shall vest immediately if on any date during the term or within 12 months following the term our total enterprise value equals or exceeds $200,000; provided, however, that all unvested shares of restricted common stock shall vest immediately change of control. These shares may not be transferred for a period of one year from the vesting date.
- The second grant of 3,600,000 shares was granted on December 28, 2011 and vested fully on the date of the grant. These shares may not be transferred for a period of two years from the date of grant.
- The third grant of 1,000,000 shares was granted on December 28, 2011 and vest one year from the date of grant. These shares may not be transferred for a period of one year from the vesting date.

Mr. Ellin is also entitled to receive additional performance bonuses, in cash or shares of common stock at Mr. Ellin's election, upon our achievement of certain higher total enterprise values.

During the six month period ended September 30, 2012, we did not grant Mr. Ellin any additional stock options or warrants.

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13. Capital Stock Transactions

Preferred Stock

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

Common Stock

In June 2012, the Company issued 150,000 shares of common stock of the Company to a vendor. The shares were issued based on a service agreement that began in March 2012. The overall value was determined to be $135, of which $67 was recorded through the period ended September 30, 2012.

In June 2012, the Company sold 1,428,571 shares of common stock of the Company to an investor for $0.70 cents per share. In connection with this sale of common stock, the Company issued warrants to purchase 357,142 shares of common stock of the Company at an exercise price of $0.70 cents per share with a term of 5 years. The fair value of the warrants on the day of issue were determined to be $255.

In May 2012, the Company issued 150,000 shares of common stock of the Company to an advisory board member for consulting services. The shares vest over one year. The shares were valued at the closing market price on that date of $1.00 per share. The overall value was determined to be $150, of which $60 was recorded through the period ended September 30, 2012.

In May 2012, the Company issued 433,333 shares of common stock of the Company to a director of the Company. The shares were valued at the closing market price on that date of $1.00 per share. The overall value was determined to be $433, of which $174 was recorded through the period ended September 30, 2012.

In July 2012, the Company issued 25,157 shares of common stock of the Company to a vendor. The shares were valued at the closing market price on that date of $0.80 per share. The overall value was determined to be $20, of which $20 was recorded through the period ended September 30, 2012.

In September 2012, the Company issued 937,500 shares of common stock of the Company as consideration for an acquisition. The shares were valued at the closing market price on that date of $0.84 per share. The overall value was determined to be $787 and was recorded through the purchase price allocation of the acquisition in the period ended September 30, 2012.

In September 2012, the Company issued 1,500,000 shares of common stock of the Company in connection with an employment agreement. The shares were valued at the closing market price on that date of $0.80 per share. The overall value was determined to be $1,200, of which $67 was recorded through the period ended September 30, 2012.

Warrants

In May 2012, the Company issued 365,010 shares of common stock of the Company as part of the cashless exercise of a warrant issued to a service provider in March 2011 to purchase 500,000 of common stock of the Company.

Options

In September 2012, the Company issued 2,000,000 shares of common stock of the Company in connection with an employment agreement. The value was determined to be $1,339 using the Black-Scholes option pricing model with the following assumptions: 1) expected life 6 years, 2) a risk free interest rate of .98%, 3) a dividend yield of 0% and 4) a volatility of 168.86%.

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Derivative liabilities

As of March 31, 2012, the Company determined that certain warrants were considered derivatives because they did not meet the scope exception in ASC 815-10-15-74. In May 2012, the warrants were exercised. Prior to exercise the Company recorded a loss on the fair value of the warrant of $21. The fair market value of the shares at the time of exercise was $473. The holder forfeited 134,990 shares as a part of a cashless exercise, and the Company issued 365,010 shares of common stock of the Company to the holder. The fair value of these warrants was $0 and $452 at September 30, 2012 and March 31, 2012, respectively.

On March 26, 2012, the Senior Secured Convertible Note holders issued a waiver to the Company stating that they would not convert their notes until the Company has notified them in writing that the Company has increased its authorized capital sufficiently so that the conversion, exchange or exercise of all convertible securities can be effectuated without the Company exceeding its authorized capital.

On June 6, 2012, the Taja Convertible Note holder issued a waiver to the Company stating that they would not convert their notes until the Company has notified them in writing that the Company has increased its authorized capital sufficiently so that the conversion, exchange or exercise of all convertible securities can be effectuated without the Company exceeding its authorized capital.

On June 7, 2012, a holder of a warrant to purchase 2.5 million shares of common stock of the Company issued a waiver to the Company stating that they would not exercise their warrants until the Company has notified them in writing that the Company has increased its authorized capital sufficiently so that the exercise of all convertible securities can be effectuated without the Company exceeding its authorized capital.

On August 15, 2012, the Company amended its charter with the State of Delaware to increase its total number of shares of common stock of the Company to 200,000,000 and preferred shares of the Company to 2,000,000. With this amendment, the waivers obtained are no longer in force, since the Company has increased its authorized shares sufficiently so that the conversion, exchange or exercise of all convertible securities can be effectuated without the Company exceeding its authorized capital.

Restricted Stock Agreements

During the period December 1, 2011 through September 30, 2012, the Company entered into restrictive stock agreements (“RSAs”) with certain employees and consultants. The RSAs have performance conditions, market conditions, time conditions or a combination. 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 RSA. Certain RSA recipients are granted voting rights while other RSA recipients are not granted voting rights.

Performance and Market Condition RSAs

On December 28, 2011, the Company issued 15,850 restricted shares with vesting criteria based on both performance and market conditions. The vesting is as follows: (i) one third (1/3) shall vest immediately upon the completion of one or more debt or equity financings during the period ending two (2) years from the date hereof (the "Measurement Period") in favor of the Company of gross proceeds of at least $5 million; (ii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (computed by multiplying the number of outstanding shares of Common Stock on a fully diluted (taking into account only those stock options that are in-the-money on such date), as-converted basis by the average daily trading price for Common Stock for the thirty (30) trading day period immediately preceding the date of determination) equals or exceeds $100 million; and (iii) one third (1/3) shall vest immediately if on any date during the Measurement Period the Company's total enterprise value (calculated as set forth in clause (ii) above) equals or exceeds $200 million; provided, however, that all unvested shares of restricted common stock shall vest immediately upon the sale of all or substantially all of the assets of the Company, upon the merger or reorganization of the Company following which the equity holders of the Company immediately prior to the consummation of such merger or reorganization collectively own less than 50% of the voting power of the resulting entity, or upon the sale of equity securities of the Company representing 50% or more of the voting power of the Company or 50% or more of the economic interest in the Company in a single transaction or in a series of related transactions.

Each share is restricted from the individual selling the stock for a period of one year from the date of vesting.

On December 28, 2011, one third of the restricted shares vested due to the $7,000 financing agreement entered into by the Company. The Company valued the 5,283 vested RSAs at $3,223 using the Company's ending share price at December 28, 2011 of $0.61.

For accounting purposes, the one third unvested shares related to the $100,000 enterprise value and the one third unvested shares related to the $200,000 enterprise value are considered to have a market condition. The effect of the market condition is reflected in the grant date fair value of the award and, thus compensation expense is recognized on this type of award provided that the requisite service is rendered (regardless of whether the market condition is achieved). The Company estimated the grant date fair value to be $0.279 per share and $0.206 per share for the $100,000 enterprise value and $200,000 enterprise value, respectively, using a Monte Carlo simulation that uses the following assumptions:

- Volatility - 100%
- Restricted stock discount - 36.1%
- Risk free interest rate of 0.1%
- Dividend yield of 0%

The Company has expensed $4,193 through the period ended September 30, 2012 related to the 15,850 RSAs issued on December 28, 2011 and will expense the remaining $1,592 over the periods ended December 28, 2013.

Time and Performance Condition RSAs

On January 3, 2012, the Company issued 2,375 restricted shares with vesting criteria based on both time and performance conditions. At January 3, 2012, 1,025 restricted shares vested immediately and the remaining 1,350 unvested shares had to meet certain performance criteria. In September 2012, 425 shares vested in connection with a significant acquisition by the Company. The remaining 925 which has either not been defined by the Board of Directors or the Company has determined that the probability of meeting the performance criteria is 0%.

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Each share is restricted from the individual selling the stock for a period from one year up to two years from the date of vesting.

All restricted shares, vested and unvested, have been included in the outstanding shares as of September 30, 2012.

For accounting purposes, the Company determined the grant date fair value to be $0.65 per share which is the closing price of the Company's stock price on January 3, 2012. The Company expensed $662, related to the 2,375 RSAs issued on January 3, 2012. An additional $357 has been expensed in the quarter ended September 30, 2012 pertaining to the vesting of 425 shares. No further expense will be taken until the Board of Directors details the performance criteria, or already defined performance criteria has been met.

Time Condition RSAs

On various dates during the periods ended September 30, 2012 and March 31, 2012, the Company issued 2,083 and 7,100 restricted shares with vesting criteria based on time conditions, respectively. As of September 30, 2012, 3,958 restricted shares were vested with each share being restricted from the individual selling the stock for a period from three months up to two years from the date of vesting.

The following table summarizes the RSA activity:

(in thousands, except grant date fair value)	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at March 31, 2011	—	$
Unvested at March 31, 2012	15,367	$ 0.360
Granted	583	1.000
Canceled	—	—
Vested	(38)	0.900
Unvested at June 30, 2012	15,912	$ 0.387
Granted	1,500	0.800
Canceled	—	—
Vested	(696)	0.782
Unvested at September 30, 2012	16,716	$ 0.411

During a review of equity compensation arrangements, the Company determined that certain valuation reports used in connection with approximately 22 million shares of restricted stock issued between December 2011 and May 2012 utilized certain assumptions that may or may not be consistent with applicable tax requirements for such valuations. The Company is evaluating the impact, if any, related to this matter on its financial statements. The Company is considering procuring new valuation reports that it believes will be consistent with applicable tax requirements. To the extent such new valuation reports implied a materially different value than reports originally relied upon by the Company and the recipient, based on certain assumptions as to valuation methods, it is likely that the Company and the recipient would agree to rescind such grants based on mutual mistake of material fact related to such tax valuation methods. Although the Company is still reviewing the matter and is unable at this time to definitively state what, if any, impact there could be, a rescission of the share grants at issue could impact the Company. However, such impacts may be offset by separate new grants of equivalent equity that may, or may not, accompany a rescission.

As a result, the Company believes that the amount of any impact related to this matter cannot be reasonably estimated at this time. Because the Company believes that a potential loss is not probable or estimable, it has not recorded any liabilities nor contingencies related to this matter. In the event that the Company's assumptions used to evaluate this matter as neither probable, nor estimable change in future periods, it may be required to record a liability for a material outcome.

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14. Employee Benefit Plans

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

15. Income Taxes

The income tax provision for the quarter represents foreign withholding taxes related to continuing operations paid in jurisdictions outside of the US.

Management has evaluated and concluded that there are no significant uncertain tax positions requiring recognition in the Company’s financial statements as of September 30, 2012.

ASC 740 requires the consideration of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets. The Company adopted the provisions of ASC 740 on January 1, 2008 and there was no difference between the amounts of unrecognized tax benefits recognized in the balance sheet prior to the adoption of ASC 740 and those after the adoption of ASC 740. There were no unrecognized tax benefits not subject to valuation allowance as of September 30, 2012 and March 31, 2012. The Company recognized no interest and penalties on income taxes in its statement of operations for the periods ended September 30, 2012 and 2011.

16. Segment and Geographic information

The Company operates in one reportable segment in which it is a developer and publisher of branded entertainment content for mobile phones. Revenues are attributed to geographic areas based on the country in which the carrier’s principal operations are located. 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 geographic information on our sales for the periods ended September 30, 2012 and 2011, and net property and equipment for the periods ended September 30, 2012 and March 31, 2012:

	North America	Europe	Other Regions	Consolidated
Six Months ended September 30, 2012				
Net sales to unaffiliated customers	17	1,682	504	$ 2,203
Six Months ended September 30, 2011				
Net sales to unaffiliated customers	107	2,835	889	$ 3,831
Property and equipment, net at September 30, 2012	139	37	141	$ 317
Property and equipment, net at March 31, 2012	177	52	1	$ 230

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17. Commitments and Contingencies

Operating Lease Obligations

The Company leases office facilities under non-cancelable operating leases expiring in various years through 2013. The future minimum payments under initial terms of leases at September 30, 2012 is $57.

This amount does not reflect future escalations for real estate taxes and building operating expenses. Rental expense amounted to $152 and $92, respectively, for the six months ended September 30, 2012 and 2011.

Other Obligations

As of September 30, 2012, the Company was obligated for payments under various distribution agreements, equipment lease agreements, employment contracts and consulting agreements with initial terms of one year or greater at September 30, 2012. Future payments for these obligations as of September 30, 2012 are as follows:

Year Ending September 30,	
2013	$1,023
2014	700
2015	627
Total payments	$2,350

Litigation

On March 6, 2012 the Company received a notice of levy in the amount of $73 pertaining to a dispute with a service provider. The Company paid the obligation in full on July 9, 2012.

On May 4, 2012 the Company received notice of a judgment in the amount of £23 pertaining to a dispute with a previous employee. The Company has recorded the full amount in Accrued Compensation on the consolidated balance sheet.

Mandalay Digital's wholly owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox") and Sirocco Mobile Ltd ("Sirocco") are parties to a wireless game development agreement dated February 27, 2009, whereby Sirocco were engaged to complete certain services and deliver products to Twistbox for mobile distribution. On or about September 6, 2012, Sirocco filed a complaint in California Superior Court, County of Los Angelest seeking relief for breach of written contract. On or about November 6, 2012, Sirocco proposed a reduction of its claim, which expired on November 12, 2012.

Twistbox's wholly owned subsidiary, Waat Media Corp ("Waat") and GS Wise Limited ("GS Wise") are parties to an advertising and content licensing agreement dated July 1, 2011, whereby Waat purchased advertising impressions and licensed content for mobile distribution. On or about September 10, 2012, GS Wise Limited and Bridco Trading Limited ("Bridco") filed a complaint in California Superior Court, County of Los Angeles seeking relief for breach of written contract. Waat intends to vigorously defend against this action.

The Company is subject to various claims and legal proceedings arising in the normal course of business. Management believes that the ultimate liability, if any in the aggregate of other claims will not be material to the financial position or results of operations of the Company for any future period; and no liability has been accrued.

18. Subsequent Events

Management evaluated subsequent events after the balance sheet date of September 30, 2012 through the date these unaudited financial statements were issued and concluded that no material subsequent events have occurred that would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

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

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto included in this report. This discussion contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Quarterly Report on Form 10-Q, the words "anticipate," "believe," "estimate," "expect", "will", "seeks", "should", "could", "would", "may" and similar expressions, as they relate to our management or us, are intended to identify such forward-looking statements. Our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements as a result of a variety of factors including those set forth under "Risk Factors" in our Annual Report on Form 10-K, as amended, for the year ended March 31, 2012. Historical operating results are not necessarily indicative of the trends in operating results for any future period.

We do not undertake any obligation to update any forward-looking statements. 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", "Mandalay Digital" or the "Company" refer to the business and operations of Mandalay Digital Group, Inc. through its operating and wholly-owned subsidiaries, Digital Turbine, Inc. ("Digital Turbine") and Twistbox Entertainment, Inc. ("Twistbox") and MDG Logia Holdings Ltd ("MDG").

Historical Operations of Mandalay Digital Group, Inc.

Mandalay Digital was originally incorporated in the State of Delaware on November 6, 1998 under the name eB2B Commerce, Inc. On April 27, 2000, the company merged into DynamicWeb Enterprises, Inc., a New Jersey corporation. DynamicWeb Enterprises, Inc was the resulting entity, but it changed its name to eB2B Commerce, Inc. On April 13, 2005, the Company changed its name to Mediavest, Inc. On November 7, 2007, through a merger, the Company reincorporated in the State of Delaware under the name Mandalay Media, Inc. On May 12, 2010, the Company changed its name to NeuMedia, Inc.

On February 6, 2012, the Company merged with a wholly-owned, newly-formed subsidiary, changing its name to Mandalay Digital Group, Inc.

On October 27, 2004, and as amended on December 17, 2004, the Company filed a plan for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Plan of Reorganization"). Under the Plan of Reorganization, as completed on January 26, 2005: (1) the Company's net operating assets and liabilities were transferred to the holders of the secured notes in satisfaction of the principal and accrued interest thereon; (2) $400,000 was transferred to a liquidation trust and used to pay administrative costs and certain preferred creditors; (3) $100,000 was retained by the Company to fund the expenses of remaining public; (4) 3.5% of the new common stock of the Company (140,000 shares) was issued to the holders of record of Mandalay Digital's preferred stock in settlement of their liquidation preferences; (5) 3.5% of the new common stock of the Company (140,000 shares) was issued to common stockholders of record as of January 26, 2005 in exchange for all of the outstanding shares of the common stock of the company; and (6) 93% of the new common stock of the Company (3,720,000 shares) was issued to the sponsor of the Plan of Reorganization in exchange for $500,000 in cash. Through January 26, 2005, the Company and its subsidiaries were engaged in providing business-to-business transaction management services designed to simplify trading between buyers and suppliers.

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

SUMMARY OF THE TWISTBOX MERGER

The Company entered into an Agreement and Plan of Merger on December 31, 2007, as subsequently amended by the Amendment to Agreement and Plan of Merger dated February 12, 2008 (the "Merger Agreement"), with Twistbox Acquisition, Inc., a Delaware corporation and a wholly-owned subsidiary of the Company ("Merger Sub"), Twistbox Entertainment, Inc. ("Twistbox"), and Adi McAbian and Spark Capital, L.P., as representatives of the stockholders of Twistbox, pursuant to which Merger Sub would merge with and into Twistbox, with Twistbox as the surviving corporation (the "Merger"). The Merger was completed on February 12, 2008.

Pursuant to the Merger Agreement, upon the completion of the Merger, each outstanding share of Twistbox common stock, $0.001 par value per share, on a fully-converted basis, with the conversion on a one-for-one basis of all issued and outstanding shares of the Series A Convertible Preferred Stock of Twistbox and the Series B Convertible Preferred Stock of Twistbox, $0.01 par value per share (the "Twistbox Preferred Stock"), converted automatically into and became exchangeable for Company common stock in accordance with certain exchange ratios set forth in the Merger Agreement. In addition, by virtue of the Merger, each outstanding Twistbox option to purchase Twistbox common stock issued pursuant to the Twistbox 2006 Stock Incentive Plan (the "Plan") was assumed by the Company, subject to the same terms and conditions as were applicable under such Plan immediately prior to the Merger, except that (a) the number of shares of Company common stock issuable upon exercise of each Twistbox option was determined by multiplying the number of shares of Twistbox common stock that were subject to such Twistbox option immediately prior to the Merger by 0.72967 (the "Option Conversion Ratio"), rounded down to the nearest whole number; and (b) the per share exercise price for the shares of Mandalay Digital common stock issuable upon exercise of each Twistbox option was determined by dividing the per share exercise price of Twistbox common stock subject to such Twistbox option, as in effect prior to the Merger, by the Option Conversion Ratio, subject to any adjustments required by the Internal Revenue Code. As part of the Merger, the Company also assumed all unvested Twistbox options. The Merger consideration consisted of an aggregate of up to 12,325,000 shares of Company common stock, which included the conversion of all shares of Twistbox capital stock and the reservation of 2,144,700 shares of Company common stock required for assumption of the vested Twistbox options. The Company reserved an additional 318,772 shares of Company common stock required for the assumption of the unvested Twistbox options. All warrants to purchase shares of Twistbox common stock outstanding at the time of the Merger were terminated on or before the effective time of the Merger.

Upon the completion of the Merger, all shares of the Twistbox capital stock were no longer outstanding and were automatically canceled and ceased to exist, and each holder of a certificate representing any such shares ceased to have any rights with respect thereto, except the right to receive the applicable merger consideration. Additionally, each share of the Twistbox capital stock held by Twistbox or owned by Merger Sub, the Company or any subsidiary of Twistbox or the Company immediately prior to the Merger, was canceled and extinguished as of the completion of the Merger without any conversion or payment in respect thereof. Each share of common stock, $0.001 par value per share, of Merger Sub issued and outstanding immediately prior to the Merger was converted upon completion of the Merger into one validly issued, fully paid and non-assessable share of common stock, $0.001 par value per share, of the surviving corporation.

As part of the Merger, the Company agreed to guarantee up to $8,250,000 of Twistbox's outstanding debt to ValueAct SmallCap Master Fund L.P. ("ValueAct" or "VAC"), with certain amendments. On July 30, 2007, Twistbox had entered into a Securities Purchase Agreement by and among Twistbox, the Subsidiary Guarantors (as defined therein) and ValueAct, pursuant to which ValueAct purchased a note in the amount of $16,500,000 (the "ValueAct Note" or the "VAC Note") and a warrant which entitled ValueAct to purchase from Twistbox up to a total of 2,401,747 shares of Twistbox's common stock (the "Warrant"). Twistbox and ValueAct also entered into a Guarantee and Security Agreement by and among Twistbox, each of the subsidiaries of Twistbox, the Investors, as defined therein, and ValueAct, as collateral agent, pursuant to which the parties agreed that the ValueAct Note would be secured by substantially all of the assets of Twistbox and its subsidiaries (the "VAC Note Security Agreement"). In connection with the Merger, the Warrant was terminated and we issued two warrants in place thereof to ValueAct to purchase shares of our common stock. One of such warrants entitled ValueAct to purchase up to a total of 1,092,622 shares of our common stock at an exercise price of $7.55 per share. The other warrant entitled ValueAct to purchase up to a total of 1,092,621 shares of our common stock at an initial exercise price of $5.00 per share, which, if not exercised in full by February 12, 2009, would have been permanently increased to an exercise price of $7.55 per share. Both warrants were scheduled to expire on July 30, 2011. The warrants were subsequently modified on October 23, 2008 and cancelled on June 21, 2010, as set forth below. We also entered into a Guaranty (the "ValueAct Note Guaranty") with ValueAct whereby the Company agreed to guarantee Twistbox's payment to ValueAct of up to $8,250,000 of principal under the ValueAct Note in accordance with the terms, conditions and limitations contained in the ValueAct Note, which was subsequently amended as set forth below. The financial covenants of the ValueAct Note were also amended, pursuant to which Twistbox was required to maintain a cash balance of not less than $2,500,000 at all times and the Company is required to maintain a cash balance of not less than $4,000,000 at all times. The ValueAct Note was subsequently amended and restated as set forth below.

SUMMARY OF THE AMV ACQUISITION

On October 23, 2008, the Company consummated the acquisition of 100% of the issued and outstanding share capital of AMV Holding Limited, a United Kingdom private limited company ("AMV") and 80% of the issued and outstanding share capital of Fierce Media Limited, United Kingdom private limited company (collectively the "Shares"). The acquisition of AMV is referred to herein as the "AMV Acquisition". The aggregate purchase price (subject to adjustments as provided in the stock purchase agreement) for the Shares consisted of (i) $5,375,000 in cash; (ii) 4,500,000 shares of Company common stock, par value $0.0001 per share; (iii) a secured promissory note in the aggregate principal amount of $5,375,000 (the "AMV Note"); and (iv) additional earn-out amounts, if any, based on certain targeted earnings as set forth in the stock purchase agreement. The AMV Note was scheduled to mature on July 31, 2010, and bore interest at an initial rate of 5% per annum, subject to adjustment as provided therein.

In addition, also on October 23, 2008, in connection with the AMV Acquisition, the Company, Twistbox and ValueAct entered into a Second Amendment to the ValueAct Note, which among other things, provided for a payment-in-kind election at the option of Twistbox, modified the financial covenants set forth in the ValueAct Note to require that the Company and Twistbox maintain certain minimum combined cash balances and provided for certain covenants with respect to the indebtedness of the Company and its subsidiaries. Also on October 23, 2008, AMV granted to ValueAct a security interest in its assets to secure the obligations under the ValueAct Note. In addition, the Company and ValueAct entered into an allonge to each of those certain warrants issued to ValueAct in connection with the Merger, which, among other things, amended the exercise price of each of the warrants to $4.00 per share.

In addition, also on October 23, 2008, the Company entered into a Securities Purchase Agreement with certain investors identified therein (the "Investors"), pursuant to which the Company agreed to sell to the Investors in a private offering an aggregate of 1,685,394 shares of common stock and warrants to purchase 842,697 shares of common stock for gross proceeds to the Company of $4,500,000. The warrants have a five year term and an exercise price of $2.67 per share. The funds were held in an escrow account pursuant to an Escrow Agreement, dated October 23, 2008 and were released to the Company on or about November 8, 2008.

On August 14, 2009, the Company and ValueAct entered into a Second Allonge to Warrant to Purchase 1,092,621 shares of the Company's common stock (the "Second Allonge"), which amended that certain warrant to purchase 1,092,621 shares of the Company's common stock, issued to ValueAct on February 12, 2008, as amended (the "ValueAct Warrant"). Pursuant to the Second Allonge, the exercise price of the ValueAct Warrant decreased from $4.00 per share to the lesser of $1.25 per share, or the exercise price per share for any warrant to purchase shares of the Company's common stock issued by the Company to certain other parties. In addition, also on August 14, 2009, the Company, Twistbox and ValueAct entered into a Third Amendment to the ValueAct Note. Pursuant to the Third Amendment, the maturity date was changed to July 31, 2010 and the interest rate of the ValueAct Note increased from 10% to 12.5%.

On January 25, 2010, Mandalay Digital, Twistbox and ValueAct entered into a Waiver to Senior Secured Note (the "Waiver"), pursuant to which ValueAct agreed to waive certain provisions of the ValueAct Note. Pursuant to the Waiver, subject to Twistbox's compliance with certain conditions set forth in the Waiver, certain rights to prepay the ValueAct Note were extended from January 31, 2010 to March 1, 2010. In addition, subject to Twistbox's compliance with certain conditions set forth in the Waiver, the timing obligation of the Company and Twistbox to comply with the cash covenant set forth in the ValueAct Note was extended to March 1, 2010 and the minimum cash balance by which Twistbox and Mandalay Digital must maintain was increased to $1,600,000.

On February 25, 2010, Twistbox received a letter (the "Letter") from ValueAct alleging certain events of default with respect to the ValueAct Note. The Letter claimed that an event of default had occurred and was continuing under the ValueAct Note as result of certain alleged defaults, including the failure to provide weekly evidence of compliance with certain of Twistbox's and the Company's covenants under the ValueAct Note, the failure to comply with limitations on certain payments by the Company and each of its subsidiaries, and the failure of Twistbox and the Company to maintain minimum cash balances in deposit accounts of each of Twistbox and the Company. The Letter also claimed that the Waiver had ceased to be effective as a result of the alleged failure of Mandalay Digital to comply with the conditions set forth in the Waiver. On May 10, 2010, Twistbox received from ValueAct a Notice of Event of Default and Acceleration ("Notice") in which ValueAct stated that an event of default had occurred under the ValueAct Note as a result of Twistbox's and Mandalay Digital's failure to comply with the cash balance covenant under the ValueAct Note and, therefore, ValueAct accelerated all outstanding amounts payable by Twistbox under the ValueAct Note. In connection with the Notice, ValueAct instituted an administration proceeding in the United Kingdom against AMV.

On June 21, 2010, the Company sold all of the operating subsidiaries of AMV to an entity controlled by ValueAct and certain of AMV's founders in exchange for the release of $23,231,000 of secured indebtedness, comprising of a release of all amounts due and payable under the AMV Note and all amounts due and payable under the VAC Note except for $3,500,000 in principal (the "Restructure"). In connection with the Restructure, the ValueAct Note (as amended and restated, the "Amended ValueAct Note"), the Value Act Security Agreement and the Value Act Guaranty were amended and restated in their entirety. In addition, all warrants and common stock of the Company held by ValueAct were cancelled and all warrants and common stock of the Company held by AMV founders Nate MacLeitch and Jonathan Cresswell were repurchased by the Company for a price of $0.02 per share.

The Amended ValueAct Note matures on June 21, 2013 and bears interest at 10% payable in cash semi-annually in arrears on each January 1 and July 1 that the Amended ValueAct Note is outstanding. Twistbox may prepay the Amended ValueAct Note in whole or in part at any time without penalty. Notwithstanding the foregoing, at any time on or prior to January 1, 2012, Twistbox may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to January 1, 2012 be added to the principal due under the Amended ValueAct Note. In the event of a Fundamental Change (as defined therein) of Twistbox, the holder of the Amended ValueAct Note will have the right for a period of thirty days to require Twistbox to repurchase the Amended ValueAct Note at a price equal to 100% of the outstanding principal and all accrued and unpaid interest.

Also on June 21, 2010, for purposes of capitalizing the Company, the Company sold and issued $2,500,000 of Senior Secured Convertible Notes due June 21, 2013 (the "New Senior Secured Notes" or the "Senior Debt") to certain significant stockholders. The New Senior Secured Notes have a three year term and bear interest at a rate of 10% per annum payable in arrears semi-annually. Notwithstanding the foregoing, at any time on or prior to the 18th month following the original issue date of the New Senior Secured Notes, the Company may, at its option, in lieu of making any cash payment of interest, elect that the amount of any interest due and payable on any interest payment date on or prior to the 18th month following the original issue date of the New Senior Secured Notes be added to the principal due under the New Senior Secured Notes. The accrued and unpaid principal and interest due on the New Senior Secured Notes are convertible at any time at the election of the holder into shares of Company common stock at a conversion price of US $0.15 per share, subject to adjustment. The New Senior Secured Notes are secured by a first lien on substantially all of the assets of the Company and its subsidiaries. The Amended ValueAct Note is subordinated to the New Senior Secured Notes.

Each purchaser of a New Senior Secured Note also received a warrant ("Warrant") to purchase shares of common stock of the Company at an exercise price of $0.25 per share, subject to adjustment. For each $1.00 of New Senior Secured Notes purchased, the purchaser received a Warrant to purchase 3.33 shares of common stock of the Company. Each Warrant has a five year term.

The Merger and the AMV Acquisition both included the issuance of common stock as all or part of the consideration. Based on the trading price of the common stock as of the acquisition dates, the total consideration was approximately $67.5 million for the Merger and approximately $22.2 million for the AMV Acquisition.

On December 16, 2011 the Amended ValueAct Note was purchased by Taja, LLC ("Taja") and immediately amended to remove certain negative covenants (as amended, the "Taja Note").

SUMMARY OF LOGIA ACQUISITION

On August 14, 2012, the Company entered into a Share Purchase Agreement to acquire subsidiaries and assets of Logia Group, Ltd. ("Logia"), a leading mobile content development and management solutions provider of innovative mobile monetization solutions. The Logia acquisition was completed on September 13, 2012. As a part of the transaction, the Company, through an Israeli acquisition company that it formed named "MDG Logia Holdings LTD" ("Logia Holdings") acquired all of the capital stock of Logia Content Development and Management Ltd., Volas Entertainment Ltd. and Mail Bit Logia (2008) Ltd., each of which was formerly an operating subsidiary of Logia, and is now an operating subsidiary of Logia Holdings. In addition, the Company acquired, by assignment to Logia Holdings, the assets comprising the "LogiaDeck" software and certain operator and other contracts related to the business being sold by Logia, from S.M.B.P. IGLOO Ltd., an affiliate of Logia.

The Company purchased the stock and assets sold by Logia and its affiliate with cash and common stock of the Company and two tranches of "earn out" payments of cash and stock, comprised of (1) $3,750,000 in cash at closing (subject to working capital adjustments) and Company common stock having a value of $750,000 (based on a 30 day volume weighted average price (VWAP) look back from the issuance date) (the "Closing Shares"), or 937,500 shares of common stock and (2) Two tranches, each comprised of a cash payment of $250,000 and a number of shares of Company common stock valued at $250,000 (based on a 30 day VWAP look back from the issuance date) (the "Earn Out Shares"), which will be paid and issued, as applicable, to Logia upon satisfaction of various milestones, and subject to the terms and conditions, as set forth in the Purchase Agreement, totaling up to a number of shares of common stock having a value of $500,000 and $500,000 of cash if all milestones are achieved. All of the stock of the Company issued is subject to a Registration Rights Agreement that provides for piggy back rights for 3 years and inclusion on the Company's currently existing registration statement. See Exhibits 10.1 and 10.2 of this quarterly report on Form 10-Q for copies of the Purchase Agreement and the Registration Rights Agreement.

Company Overview

From February 12, 2008 to October 23, 2008, our sole operations were those of our wholly-owned subsidiary, Twistbox. In October 2008, we acquired AMV Holding Limited and its subsidiaries, a mobile media and marketing company. On June 21, 2010, we sold AMV Holding Limited and its subsidiaries.

Twistbox is a global, mobile data services company primarily focused on enabling and optimizing the development, distribution and billing of content and applications across mobile networks. Operating since 2003, Twistbox publishes content in over 28 countries with distribution representing more than five hundred million subscribers. Twistbox has developed an intellectual property portfolio that includes worldwide or territory exclusive mobile rights to content, a proprietary publishing platform that includes tools to automate device management and billing of content and applications; a mobile games development and distribution platform that automates the porting of mobile games and applications to over 1,500 handset models; a content ratings system adopted by certain major wireless carriers to assist with the responsible deployment of age-verified programming and services; a suite of value added billing technologies that allow for in-application billing, and Digital Rights Management (DRM) solutions. Twistbox has leveraged its intellectual property and carrier-class technology to secure direct distribution and/or enabling agreements with leading mobile operators throughout Europe, North America and Latin America, including, among others, Vodafone, Telefonica, Orange, and SFR.

Twistbox maintains a global distribution agreement with Vodafone. Through this relationship, in certain markets Twistbox serves as one of Vodafone's exclusive category portal managers. Twistbox has similar exclusive agreements with other operators in selected territories.

In addition to its carrier publishing and enabling business, Twistbox operates a mobile ad network and suite of direct to consumer services that are promoted through advertising, as well as from other mobile publishers. Payments for the Company's direct to consumer services are processed through integration with the Company's own mobile billing solutions, third party mobile billing aggregators, and credit card processing companies.

Twistbox's target customers are the lucrative, tech-savvy 18 to 40 year old demographic. This group is a leading consumer group of new mobile handsets and represents more than 50% of mobile content consumption revenue globally. In addition, this group is very focused on consumer lifestyle brands and is much sought after by advertisers.

In December 2011, the Company purchased the assets of Digital Turbine. With the acquisition and integration of the assets of Digital Turbine, the Company will be able to provide an end-to-end, modular platform to the Company's existing carrier customers. The combined DT offering allows new and existing customers to choose from a fully outsourced, smart mobile ecosystem to more efficient, modular components that can be integrated with different operating systems to provide to the end user a more unified experience of mobile content across search, discovery, billing, and delivery. Innovative aspects of the Digital Turbine platform include the ability for carriers and OEMs to analyze the data presented to their end-users while giving them a more efficient way of finding and purchasing content.

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In September 2012, the Company completed the Logia transaction. Logia is a mobile content development and management solutions provider of innovative mobile monetization solutions. It provides solutions for top-tier mobile operators and content providers, including device application management solutions, white label app and media stores, in-app payment solutions, app-based value added services, and mobile social music and TV offerings. Logia operates in more than 20 countries, and provides services to more than 50 leading mobile carriers. It has relationships with over 500 app developers and content vendors and well as pre-existing agreements with unique mobile platforms and service providers. Our strategy is to combine Logia mobile solutions, carrier relationships and global distribution capabilities with the Digital Turbine user experience to provide a 'best-in-class,' end-to-end solution for the Company's carrier partners to fully monetize their mobile content catalogs as well as third-party offerings.

RESULTS OF OPERATIONS

	3 Months Ended September 30, 2012	3 Months Ended September 30, 2011	6 Months Ended September 30, 2012	6 Months Ended September 30, 2011	% of Change
	(in thousands)				
Revenues	$ 912	$ 1,938	$ 2,203	$ 3,831	-42%
Cost of revenues	376	717	1,048	1,266	17%
Gross profit	536	1,221	1,155	2,565	55%
SG&A	3,771	1,906	6,640	3,721	79%
Operating loss	(3,235)	(685)	(5,485)	(1,156)	377%
Interest expense, net	(494)	(377)	(954)	(745)	25%
Foreign exchange transaction gain / (loss)	(26)	(31)	(33)	17	-293%
Change in fair value of accrued derivative liabilities gain / (loss)	—	(84)	(22)	(27)	-20%
Gain / (loss) on settlement of debt	—	246	—	240	-100%
Loss before income taxes	(3,755)	(931)	(6,494)	(1,671)	289%
Income tax provision	(20)	—	(34)	(31)	10%
Net (loss) income	$ (3,775)	$ (931)	$ (6,528)	$ (1,702)	284%
Basic and Diluted net income / (loss) per common share:	(0.04)	(0.02)	(0.08)	(0.04)	100%
Basic and Diluted weighted average shares outstanding	87,235	41,771	85,877	41,725	106%

Comparison of the Three and Six Months Ended September 30, 2012 and 2011

Revenues

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% of Change	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011	% of Change
	(In thousands)			(In thousands)		
Revenues by type:						
Services	$ 460	$ 234	97%	$ 710	$ 468	52%
Content - Games	49	143	-66%	100	315	-68%
Content - Other	18	1,178	-98%	467	2,370	-80%
Advertising	385	383	0%	926	678	37%
Total	$ 912	$ 1,938	-53%	$ 2,203	$ 3,831	-42%

Games revenue - the decline in revenue largely reflects a strategic decision to curtail investment in development of new games for carrier sales, along with the loss of on-deck placement with US carriers. In addition, we have wound down our development work on behalf of third parties. This was partly offset by higher platform and services fees, both due to higher revenues in our German operations and the addition of Logia revenues. Games revenue includes both licensed and internally developed games for use on mobile phones.

The revenue decline for Other Content is the result of multiple factors. Revenues were also affected by the increase in the use of smart phones over feature phones, which hinder the carriers' ability to monetize content revenues effectively. Revenues have also been impacted by internal changes at the carrier level, although this is expected to level off due to the acquisition of Logia. Other content includes a broad range of licensed and internally developed products delivered in the form of WAP, Video, Wallpaper and Mobile.

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Cost of Revenues

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% of Change	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011	% of Change
	(In thousands)			(In thousands)		
Cost of revenues:						
License fees	$ 299	$ 660	-55%	$ 913	$ 1,151	-21%
Other direct cost of revenues	77	58	33%	135	115	17%
Total cost of revenues	$ 376	$ 718	-48%	$ 1,048	$ 1,266	-17%
Revenues	$ 912	$ 1,938	-53%	$ 2,203	$ 3,831	-42%
Gross margin	58.8%	63.0%		52.4%	67.0%	

License fees represent costs payable to content providers for use of their intellectual property in products sold. Our licensing agreements are predominantly on a revenue-share basis, and have therefore decreased relative to the decrease in revenue. We discontinued revenues during the quarter in the area of traffic and advertising costs that affected our sales mix, as well as our gross margin. Other direct cost of revenues has increased by $19 due to the amortization of intangible assets from the Logia acquisition.

Operating Expenses

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% of Change	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011	% of Change
	(In thousands)			(In thousands)		
Product development expenses	$ 365	$ 484	-25%	$ 731	$ 1,149	-36%
Sales and marketing expenses	215	222	-3%	318	456	-30%
General and administrative expenses	3,191	1,200	166%	5,591	2,116	164%

Product development expenses have historically included the costs to build, edit and optimize content formats for consumption on a mobile phone. Expenses in this area are primarily driven by personnel costs. Due to strategic changes in the focus of the development business as well as the consolidation of the device operating systems within the marketplace, our Twistbox headcount has been reduced over prior periods. However we anticipate growth in production development expenses in Digital Turbine due to the revenue growth anticipated.

Sales and marketing expenses represent the costs of sales and marketing personnel, and advertising and marketing campaigns. Selling costs, including our headcount were reduced over the past year, but is anticipated to increase as Digital Turbine enters the market and with the addition of Logia. The decrease year-over-year is the result of cost savings made by headcount reductions, as well as reduced travel and entertainment expenses in the Twistbox business.

General and administrative expenses represent management, finance and support personnel costs in both the parent and subsidiary companies which include professional and consulting costs, and other costs such as stock based compensation, rent, depreciation and bad debt expenses. The increase period to period is mostly due to an increase in stock compensation to management, as well as hiring additional management and consulting personnel and the addition of Logia.

Other Income and Expenses

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% of Change	Six Months Ended September 30, 2012	Six Months Ended September 30, 2011	% of Change
	(In thousands)			(In thousands)		
Interest and other (expense)	$ (494)	$ (377)	31%	$ (954)	$ (745)	28%
Foreign exchange transaction gain / (loss)	$ (26)	$ (31)	-15%	$ (33)	$ 17	-293%
Change in fair value of accrued derivative liabilities gain / (loss)	$ —	$ (84)	-100%	$ (22)	$ (27)	-20%
Gain / (loss) on settlement of debt	$ —	$ 247	-100%	$ —	$ 240	-100%

Interest and other income/(expense) includes interest income on invested funds, interest expense related to the Senior Secured Note and the Taja Note, changes in the fair market value of derivatives, and foreign exchange transaction gains.

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Financial Condition

Assets

Our current assets totaled $5.5 million and $10.1 million at September 30, 2012 and March 31, 2012, respectively. Total assets were $15.6 million and $14.8 million at September 30, 2012 and March 31, 2012, respectively. The decrease in current assets is primarily due to cash paid for the acquisition of Logia, offset by the increase in accounts receivable and prepaid expenses, also due to the acquisition of Logia. Total assets increased due to the assets acquired through the Logia acquisition.

Liabilities and Working Capital

At September 30, 2012, our total liabilities were $11.7 million, compared to $9.1 million at March 31, 2012. The change in liabilities was mainly due to the amortization of debt discount, the exercise of warrants that were derivative liabilities, offset by an increase in accounts payable, mainly due to the acquisition of Logia. The Company had negative working capital of $3.9 million at September 30, 2012, which is less than the positive working capital of $4.1 million at March 31, 2012 mainly due to the movement of the Senior Secured Notes from long term debt to short term debt, as well as a decrease in cash.

Liquidity and Capital Resources

	Six Months Ended September 30,		% of
	2012	2011	Change
	(In thousands)		
Consolidated Statement of Cash Flows Data:			
Capital expenditures	$ (8)	$ (4)	97%
Cash flows used in operating activities	3,294	317	939%
Cash flows used in investing activities	3,365	4	84017%
Cash acquired with acquisition of subsidiary	(59)	—	0%
Issuance of shares for cash	1,000	—	0%
Gain on exchange rate changes on cash and cash equivalents	(3)	48	-106%

The Company has incurred losses and negative annual cash flows since inception, and although the operating loss increased from $1.7 million in the six months ended September 30, 2011 to $6.5 million for the six months ended September 30, 2012, a significant portion of the loss is represented by non-cash charges to stock compensation.

The consolidated financial statements included in this Quarterly Form 10-Q include the accounts of the Company. The primary sources of liquidity have historically been issuance of common and preferred stock and borrowings under credit facilities. In fiscal year 2012, the Company raised $9.7 million through issuance of convertible debt and equity financings and through restructuring existing debt to convertible debt. Subsequently, the Company raised an additional $1 million in the first quarter of fiscal year 2013. Our current cash resources will not be sufficient to fund our planned operations for the next twelve months. Until we become cash flow positive, we anticipate that our primary sources of liquidity will be cash generated by our operating activities, as well as further borrowings or further capital raises. Because of the uncertainty of these factors, we will need to raise funds to meet our working capital needs. Additional financing may not be available on acceptable terms or at all, and lenders may be unwilling to lend on reasonable terms. If we issue additional equity securities to raise funds, the ownership percentage of our existing stockholders would be reduced. New investors may demand rights, preferences or privileges senior to those of existing holders of common stock. If we cannot raise any needed funds, we might be forced to make substantial reductions in our operating expenses, which could adversely affect our ability to implement our current business plan and, ultimately, our viability as a company.

Operating Activities

In the period ended September 30, 2012, we used $5.7 million of net cash. Net cash used represents a decrease in accrued compensation and accrued license fees of $0.4 million, offset by increases in accounts payable and other liabilities of $0.4 million, and increases in accounts receivable and prepaid expense of $0.4 million. These changes flow from the loss for the period, but exclude depreciation and amortization of $0.2 million, as well as interest and debt discount costs of $0.9 million, and $2.4 million for stock issued for services. In the period ended September 30, 2011, we used $0.2 million of net cash, including an decrease in accounts payable, accrued compensation and other liabilities of $0.4 million, and an increase in accounts receivable of $0.7 million, offset by the increase in accrued license fees of $0.2 million, flowing from the loss, offset by non-cash stock based compensation and depreciation and amortization that total $0.9 million.

As of September 30, 2012, the Company had approximately $3.1 million of cash.

The Company’s cash requirements in the future will be dependent on actions taken to improve cash flow, including operational restructuring. We may require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If cash resources are insufficient to satisfy our cash requirements, we may seek to sell additional debt securities or additional equity securities or to obtain a credit facility. The sale of convertible debt securities or additional equity securities could result in additional dilution to our stockholders. The incurrence of increased indebtedness would result in additional debt service obligations and could result in additional operating and financial covenants that would restrict our operations. In addition, there can be no assurance that any additional debt or equity financing will be available on acceptable terms, if at all.

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Debt obligations include interest payments under the Senior Debt facility, and under the Amended Taja Note. Under the Senior Debt facility, the Company may elect to add interest to the principal, until 18 months following June 21, 2010, with the full amount of the principle and interest payable June 21, 2013. Under the Amended Taja Note the Company may elect to add interest to the principal. The full amount is payable two years from March 1, 2012, if it has not already been converted into shares of common stock of the Company. The Company's operating lease obligations include non-cancelable operating leases for the Company's office facilities in several locations, expiring at various dates through 2013.

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.

Stock Sales and Liquidity

In July 2012, the Company issued 25,157 shares of common stock of the Company to a service provider. The shares are restricted for one year.

In September 2012, the Company issued 937,500 shares of common stock of the Company in connection with an acquisition. The shares are restricted for one year.

In September 2012, the Company issued 1,500,000 shares of common stock of the Company in connection with an employment agreement. The shares vest monthly over three years.

Warrants

In May 2012, the Company issued 365,010 shares of common stock of the Company as part of the cashless exercise of a warrant issued to a service provider in March 2011 to purchase 500,000 of common stock of the Company.

Options

In September 2012, the Company issued 2,000,000 shares of common stock of the Company in connection with an employment agreement.

Revenues

The discussion herein regarding our future operations pertain to the results and operations of Twistbox and Logia. Assets from the Digital Turbine acquisition have yet to generate revenues due to the development cycle of the Digital Turbine products. The Company expects to begin earning revenue from the Digital Turbine assets by the end of fiscal year ending March 31, 2013. Twistbox and Logia have historically generated and expects to continue to generate the vast majority of its revenues from mobile phone carriers that market, distribute and/or bill for its content. These carriers generally charge a one-time purchase fee or a monthly subscription fee on their subscribers' phone bills when the subscribers download Twistbox and Logia's content to their mobile phones. The carriers perform the billing and collection functions and generally remit to Twistbox and Logia a contractual percentage of their collected fee for each transaction. Twistbox and Logia recognize as revenues the percentage of the fees due to it from the carrier. End users may also initiate the purchase of Twistbox's content through other delivery mechanisms, with carriers or third parties being responsible for billing, collecting and remitting to Twistbox a portion of their fees. To date, Twistbox's international revenues have been much more significant than its domestic revenues, while Logia's revenues are completely international.

We believe that the improving quality and greater availability of smartphones is in turn encouraging consumer awareness and demand for high quality content on their mobile devices. At the same time, carriers and branded content owners are focusing on a small group of enablers that have the ability to provide high-quality mobile content services consistently and cost-effectively with the ability to enable mobile billing across a wide variety of handsets and countries. Additionally, publishers and content owners are seeking enablers that have the ability to distribute content globally through relationships with most or all of the major carriers. We believe Twistbox has created the requisite development, distribution and billing technology and have achieved the scale to operate at a level that provides them with competitive advantages. We also believe that leveraging existing carrier and publisher relationships for both Twistbox and Logia will allow us to grow our revenues without corresponding percentage growth in our infrastructure and operating costs. Our revenue growth rate will depend significantly on continued growth in the mobile content market, our ability to leverage our distribution and content relationships, the entry of Digital Turbine into the market, as well as our ability to continue to expand billing for content in new regional markets. Our ability to attain profitability will be affected by the extent to which we must incur additional expenses to expand our sales, marketing, development, and general and administrative capabilities to grow our business. The largest component of our expenses is personnel and acquisition costs. Personnel costs consist of salaries, benefits and incentive compensation, including bonuses and stock-based compensation, for our employees. Acquisition costs include the costs of acquiring Logia as described above, which will be mainly recognized in this quarter. Our operating expenses should continue to grow in absolute dollars, assuming our revenues continue to grow. As a percentage of revenues, we expect expenses relating to personnel to decrease.

Because many new mobile handset models are released in the fourth calendar quarter to coincide with the holiday shopping season, and because many end users download our content soon after they purchase new handsets, we may experience seasonal sales increases based on this key holiday selling period. However, due to the time between handset purchases and content purchases, much of this holiday impact may occur in the March quarter end. For a variety of reasons, we may experience seasonal sales decreases during the summer, particularly in Europe, which is predominantly reflected in our second fiscal quarter. In addition to these possible seasonal patterns, our revenues may be impacted by declines in users visiting carrier portals, new or changed carrier deals, and by changes in the manner that our major carrier partners marketing our content on their deck. Initial spikes in revenues as a result of successful launches or campaigns may create further aberrations in our revenue patterns.

Cost of Revenues

Twistbox's cost of revenues historically consists, and we expect our cost of revenues going forward with Logia to consist primarily of royalties that we pay to content owners from which we license brands and other intellectual property. In addition, certain other direct costs such as platform and third party delivery charges are included in cost of revenues. Our cost of revenues also includes noncash expenses - amortization of certain acquired intangible assets, and any impairment of guarantees. We generally do not pay advance royalties to licensors. Where we acquire rights in perpetuity or for a specific time period without revenue share or additional fees, we record the payments made to content owners as prepaid royalties on our balance sheet when payment is made to the licensor. We recognize royalties in cost of revenues based upon the revenues derived from the relevant product sold multiplied by the applicable royalty rate. If applicable, we will record an impairment of prepaid royalties or accrue for future guaranteed royalties that are in excess of anticipated recoupment. At each balance sheet date, we perform a detailed review of prepaid royalties and guarantees that considers multiple factors, including forecasted demand, anticipated share for specific content providers, development and launch plans, and current and anticipated sales levels. We expense the costs for development of our content prior to technological feasibility as we incur them throughout the development process, and we include these costs in product development expenses.

Gross Margin

Our gross margin going forward will be determined principally by the mix of content that we deliver, and the costs of distribution. Our content based on licensed intellectual property requires us to pay royalties to the licensor and the royalty rates in our licenses vary significantly. Our own in-house developed content, which is based on our own intellectual property, require no royalty payments to licensors. For our content business, branded content requires royalty payment to the licensors, generally on a revenue share basis, while for acquired content we amortize the cost against revenues, and this will generally result in a lower cost associated with it. There are multiple internal and external factors that affect the mix of revenues among games, applications, and late night content, and among licensed, developed and acquired content within those categories, including the overall number of licensed games and applications and developed games and applications available for sale during a particular period, the extent of our and our carriers' marketing efforts for each type of content, and the deck placement of content on our carriers' mobile handsets. We believe the success of any individual game or application during a particular period is affected by the recognizability of the title, its quality, its marketing and media exposure, its overall acceptance by end users and the availability of competitive games and applications. For other content, we believe that success is driven by the carrier's deck placement, the rating of the content, by quality and by brand recognition. If our product mix shifts more to licensed games or content with higher royalty rates, our gross margin would decline. For other content, as we increase scale, we believe that we will have the opportunity to move the mix towards higher margin acquired product. Our gross margin is also affected by direct costs such as platform and 3 rd party delivery charges, and by periodic charges for impairment of intangible assets and of prepaid royalties and guarantees. These charges can cause gross margin variations, particularly from quarter to quarter.

Operating Expenses.

Our operating expenses going forward will primarily include product development expenses, sales and marketing expenses and general and administrative expenses. Our product development expenses consist primarily of salaries and benefits for employees working on creating, developing, editing, programming, porting, quality assurance, carrier certification and deployment of our content, on technologies related to interoperating with our various mobile phone carriers and on our internal platforms, payments to third parties for developing our content, and allocated facilities costs. We devote substantial resources to the development, supporting technologies, porting and quality assurance of our content. For acquired content, typically we will receive content from our licensors which must be edited for use on mobile phones, combined with other appropriate content, and packaged for end-users. The process is made more complex by the need to deliver content on multiple carriers' platforms and across a large number of different handsets.

Sales and Marketing. Sales and marketing expenses, historically, and our sales and marketing expenses going forward, will consist primarily of salaries, benefits and incentive compensation for sales, business development, project management and marketing personnel, expenses for advertising, trade shows, public relations and other promotional and marketing activities, expenses for general business development activities, travel and entertainment expenses and allocated facilities costs. We expect sales and marketing expenses to increase in absolute terms with the growth of our business and as we further promote our content and expand our business.

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General and Administrative. Our general and administrative expenses, historically, and going forward, will consist primarily of salaries and benefits for general and administrative personnel, consulting fees, legal, accounting and other professional fees, information technology costs and allocated facilities costs. We expect that general and administrative expenses will increase in absolute terms as we hire additional personnel and incur costs related to the anticipated growth of our business, capital raises and our operation as a public company. We also expect that these expenses will increase because of the additional costs to comply with the Sarbanes-Oxley Act and related regulation, our efforts to expand our operations and, in the near term, additional accounting costs related to our operation as a public company.

Amortization of Intangible Assets. We will record amortization of acquired intangible assets that are directly related to revenue-generating activities as part of our cost of revenues and amortization of the remaining acquired intangible assets, such as customer lists and platform, as part of our operating expenses. We will record intangible assets on our balance sheet based upon their fair value at the time they are acquired. We will determine the fair value of the intangible assets using a contribution approach. We will amortize the amortizable intangible assets using the straight-line method over their estimated useful lives of three to five years.

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.

Income Taxes

We provide for deferred income taxes using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carry-forwards. A valuation allowance has been provided as it is more likely than not that the deferred assets will not be realized.

Recent Accounting Pronouncements

Adopted Accounting Pronouncements

In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company’s fiscal year beginning April 1, 2012. The Company expects this guidance to have an impact on the disclosures related to comprehensive income.

Recently Issued Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board (“FASB”) issued amendments to the goodwill and indefinite-lived intangible assets impairment guidance which provides an option for companies to not calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on qualitative assessment, that it is not more likely than not, the indefinite-lived intangible asset is impaired. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 (early adoption is permitted). The implementation of this amended accounting guidance is not expected to have a material impact on the Company’s consolidated financial position and results of operations.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable as we are a smaller reporting company.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information that we are required to file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were ineffective as of September 30, 2012 because of the material weaknesses described below.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal controls over financial reporting are 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.

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.

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

During management's review of our internal control over financial reporting, we determined the following processes contain material weaknesses as of September 30, 2012:

Financial Close and Reporting Process

The lack of secondary review of key accounting and financial reporting functions results in a risk in that material accounting errors may not be detected timely. The accounting close and financial reporting process is the responsibility of one individual without sufficient backup for review of accounting functions such as preparation of journal entries and account reconciliations.

Management does not believe that any of our annual or interim financial statements issued to-date contain a material misstatement as a result of the aforementioned weaknesses in our internal controls. However, these material weaknesses related to the entity as a whole affect all of our significant accounts and could result in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected.

Our management has identified and is taking the steps necessary to address the material weaknesses existing as of September 30, 2012 described above, as follows:

1. Hiring additional accounting personnel with adequate experience, skills and knowledge to assist in the closing of our financial statements and further segregate duties of financial personnel;
2. Documenting, to standards established by senior accounting personnel and the principal financial officer, the review and analysis and related conclusions with respect to complex, non-routine transactions;
3. Creating policy and guidelines to streamline the corporate reporting process as well as managing non-routine transactions

These remediation efforts are expected be implemented during the fiscal year ending March 31, 2013.

Maintenance of Corporate Records and Contracts

Management did not maintain sufficient records of signed and approved records, contracts and board minutes. Board minutes were not always prepared and approved on a timely basis and signed and executed versions were not readily available.

This quarterly report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report.

Changes in Internal Controls over Financial Reporting

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 September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Mandalay Digital's wholly owned subsidiary, Twistbox Entertainment, Inc. ("Twistbox") and Sirocco Mobile Ltd ("Sirocco") are parties to a wireless game development agreement dated February 27, 2009, whereby Sirocco were engaged to complete certain services and deliver products to Twistbox for mobile distribution. On or about September 6, 2012, Sirocco filed a complaint in California Superior Court, County of Los Angeles seeking relief for breach of written contract. Twistbox intends to vigorously defend against this action. On or about November 6, 2012, Sirocco proposed a reduction of its claim, which expired on November 12, 2012.

Twistbox's wholly owned subsidiary, Waat Media Corp ("Waat") and GS Wise Limited ("GS Wise") are parties to an advertising and content licensing agreement dated July 1, 2011, whereby Waat purchased advertising impressions and licensed content for mobile distribution. On or about September 10, 2012, GS Wise Limited and Bridco Trading Limited ("Bridco") filed a complaint in California Superior Court, County of Los Angeles seeking relief for breach of written contract. Waat intends to vigorously defend against this action.

Except as set forth above, there have been no material changes in our legal proceedings from those disclosed in our Annual Report on Form 10-K for the year ended March 31, 2012 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. From time to time, we are subject to various claims, complaints and legal actions in the normal course of business. As of the date of filing this Quarterly Report on Form 10-Q, we are not a party to any litigation that we believe would have a material adverse effect on us.

Item 1A. Risk Factors.

Other than with respect to the risk factors set forth below, there have not been any material changes from the risk factors previously disclosed in the "Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

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

With the acquisition of Logia, 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.

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

We recently completed the acquisition of Logia, and we continue to evaluate potential acquisitions, divestitures, 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.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

None

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Item 6. Exhibits.

Exhibit No.	Description
10.1	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. *
10.2	Registration Rights and Lock Up Agreement, dated September 13, 2012, among Mandalay Digital Group, Inc., MDG Logia Holdings, Ltd., Logia Group, Ltd., and S.M.B.P. IGLOO Ltd. *
10.3	Employment Agreement, dated as of September 14, 2012, by and between Mandalay Digital Group, Inc. and Dan L. Halvorson (1)
10.4	Employment Agreement, dated as of September 16, 2012, by and between Mandalay Digital Group, Inc. and William Stone (1)
31.1	Certification of Peter Adderton, Principal Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Dan L. Halvorson, Principal Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Peter Adderton, Principal Executive Officer, pursuant to 18 U.S.C. Section 1350. *
32.2	Certification of Dan L. Halvorson, Principal Financial Officer, pursuant to 18 U.S.C. Section 1350. *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension 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

(1) Incorporated by reference to the Registrant's Current Report on Form 8-K (File No. 000-10039), filed with the Commission on September 20, 2012.

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SIGNATURES

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

Mandalay Digital Group, Inc.

Dated: November 19, 2012

By: /s/ Dan L. Halvorson
Dan L. Halvorson
Executive Vice President and Chief Financial Officer

Exhibit 10.1

Execution Version

PURCHASE AGREEMENT

Dated August 11, 2012

Mandalay Digital Group, Inc.,

MDG Logia Holdings, Ltd.,

Logia Group Ltd.

and

S.M.B.P. IGLOO Ltd.

Concerning the purchase of Logia Content Development and Management Ltd., Volas Entertainment Ltd., Mail Bit Logia (2008) Ltd. and the assets comprising LogiaDeck

EXHIBITS

Exhibit 2.1	Form of Escrow Agreement
Exhibit 2.2	Form of LogiaDeck Assignment and Transfer Agreement
Exhibit 9.2(h)	Indebtedness to be paid at Closing
Exhibit 9.2(1)	Form of Registration Rights and Lock Up Agreement
Exhibit 9.2(m)	Consents Required for Closing
Exhibit 9.2(n)	Form of General Release
Exhibit 10.2.3	Designated Contracts
Exhibit 11.9	Guaranties

SCHEDULES

Disclosure Schedule

This **PURCHASE AGREEMENT** is made and entered into as of August 11, 2012 by and among:

Logia Group Ltd. a private company duly incorporated and organized under the laws of the state of Israel, Company No. 51-404153-2, having its principal office and main place of business at 3 HaSadnaot St., Herzliya, Israel (the "**Seller**");

S.M.B.P. IGLOO Ltd. a private company duly incorporated and organized under the laws of the State of Israel, having its principal office and main place of business at 3 HaSadnaot St., Herzliya, Israel.com ("**IGLOO**")

Mandalay Digital Group, Inc., a company duly incorporated and organized under the laws of Delaware, having its principal office at 4751 Wilshire Blvd, No.3, Los Angeles, CA 90010 USA, and e-mail p.adderton@mandalaydigital.com (the "**Parent**"); and.

MDG Logia Holdings, Ltd. a private company duly incorporated and organized under the laws of the State of Israel, having its principal office and main place of business at 4751 Wilshire Blvd, No. 3, Los Angeles, CA 90010 USA (the "**Purchaser**");

The Seller, IGLOO, Parent and the Purchaser are each individually referred to as a "**Party**" and collectively the "**Parties.**"

1. BACKGROUND

1.1 The Seller, and each of its wholly owned subsidiaries, Logia Content Development and Management Ltd. ("**Logia Content**"), Volas Entertainment Ltd. ("**Volas**") and Mail Bit Logia (2008) Ltd. ("**Mail Bit**") are private companies, duly incorporated and organized under the laws of the State of Israel (Logia Content, Volas and Mail Bit are collectively referred to as the "**Purchased Companies**").

1.2 The Seller is the owner of all (100%) of the issued and outstanding shares (the "**Purchased Shares**") in the Purchased Companies.

1.3 The Purchased Companies are engaged in the business of content syndication and management systems for mobile and online operators (the "**Business**"), expressly including, without limitation, certain Intellectual Property, systems and agreements referred to herein as the Key Assets.

1.4 The Seller desires to sell to the Purchaser Group, and the Purchaser Group desires to purchase from the Seller, the Purchased Shares on the terms and conditions contained herein.

1.5 IGLOO, an Affiliate of Seller, is a private company, duly incorporated and organized under the laws of the State of Israel, and owns certain assets referred to as LogiaDeck.

1.6 IGLOO desires to sell to the Purchaser, and the Purchaser desires to purchase from IGLOO, all of the assets and rights comprising LogiaDeck on the terms and conditions contained herein.

In view of the foregoing the Parties agree as follows.

2. DEFINITIONS

In this Agreement, the following terms shall have the following meanings, which shall be equally applicable to the singular and plural forms of such terms:

"**2012 Cellcom Agreement**" means that certain Agreement dated March 23, 2005, as amended and supplemented to date, between Cellcom and Logia Content.

"**2013 Cellcom Agreement**" has the meaning given set forth in Section 4.2.1(a).

"**Action**" means any claim, action, charge, complaint, suit, litigation, arbitration, grievance, inquiry, audit, proceeding or investigation, whether in law or in equity, by or before any governmental authority, duly appointed arbitration authority or other third party.

"**Affiliate**" as applied to any person means any other person directly or indirectly through one or more intermediaries controlling, controlled by, or under common control with, that person. A person shall be deemed to control another person if such first person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other person, whether through the ownership of voting securities, by Contract or otherwise.

"**Agreement**" shall mean this Purchase Agreement, the Transaction Documents and Schedules hereto, all shall be deemed incorporated as inseparable parts thereof, including by reference or in any other way.

"**Business**" has the meaning set forth in Section 1.3.

"**Business Day**" shall mean a day on which banks in Los Angeles, California and Tel Aviv, Israel are generally open for banking business.

"**Cellcom**" means Cellcom Israel Ltd.

"**Closing**" shall have the meaning set forth in Section 5.1.

"**Closing Date**" shall have the meaning set forth in Section 5.1.

"**Closing Share Consideration**" has the meaning set forth in Section 4.3.

"**Closing Share Purchase Consideration**" has the meaning set forth in Section 4.1.

"**Confidential Information**" has the meaning set forth in Section 11.1(a).

"**Contingent Share Purchase Consideration**" as the meaning set forth in Section 4.2.

"**Contract**" means any agreement, note, mortgage, indenture, lease, sublease, deed of trust, license, plan, instrument, undertaking, arrangement or other contract, in each case, whether written or oral.

"**Consent**" means any approval, consent, ratification, waiver or other authorization from, or notice to, any person.

"**Copyrights**" is defined in the definition of Intellectual Property.

"**Current Assets**" means, as of any date of determination, the current assets of the each of the Purchased Companies that would be reflected as current assets on a balance sheet of each of the Purchased Companies prepared in a manner consistent with GAAP.

"**Current Liabilities**" means, as of any date of determination, all current liabilities of each of the Purchased Companies that would be reflected as current liabilities on a balance sheet of each of the Purchased Companies prepared in a manner consistent with GAAP.

"**Deductible**" has the meaning set forth in Section 10.2.2(i).

"**Dispute Notice**" has the meaning set forth in Section 4.7.2(c).

"**Encumbrance**" shall mean any title defect, claim of ownership, mortgage, security interest, lien, pledge, option, claim, right of first refusal, set-off, lease or any other encumbrance or third party right restricting the title.

"**Escrow Agent**" means U.S. Bank, N.A.

"**Escrow Agreement**" means the Escrow Agreement in the form attached hereto as Exhibit 2.1.

"**Escrow Fund**" has the meaning set forth in Section 4.5.

"**Estimated Closing Statement**" has the meaning set forth in Section 4.7.1.

"**Estimated Working Capital True-Up**" has the meaning set forth in Section 4.7.1.

"**Financial Statements**" means (i) the audited balance sheets of each of the Purchased Companies as of December 31, 2011, and the related audited statements of operations, changes in stockholders' equity and changes in cash flows for the year then ended, together with all related notes and schedules thereto and (ii) the unaudited balance sheet of each of the Purchased Companies as of May 31, 2012 and the related statements of operations, changes in stockholder' equity and changes in cash flows for the five months ended May, 2012

"**Founders Agreement**" means that certain Founders Agreement dated January 1, 2008 among Seller, Mail Bit Ltd. and certain other parties thereto.

"**Fundamental Representations**" has the meaning set forth in Section 10.1.

"**GAAP**" means generally acceptable accounting principals, as in effect for Israel, consistently applied by the Seller and the Purchased Companies.

"**Indebtedness**" means, as applied to any person, all indebtedness of such person for borrowed money, whether current or funded, or secured or unsecured, including (a) all

indebtedness of any such person for the deferred purchase price of property or services; (b) all indebtedness of any such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by any such person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (c) all indebtedness of any such person secured by an Encumbrance; (d) all obligations under leases that have been or must be, in accordance with GAAP, recorded as capital leases in respect of which any such Person is liable as lessee; (e) any liability of such person in respect of banker's acceptances or letters of credit; (f) all intercompany obligations owing by any of the Purchased Companies to Seller or any of Seller's other Affiliates and (g) all indebtedness referred to above that is directly or indirectly guaranteed by any such person or that any such person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

"**Indemnified Party**" means any person that is or may be entitled to indemnification under this Agreement.

"**Indemnifying Party**" means a party to this Agreement that is or may be required to provide indemnification under this Agreement.

"**Intellectual Property**" means any or all of the following throughout the world: (i) all patents and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof ("**Patents**"); (ii) all inventions (whether patentable or not), invention disclosures and improvements, all trade secrets, proprietary or confidential information, data, know-how and technology ("**Trade Secrets**"); (iii) all copyrights in both published and unpublished works of authorship, including all compilations, databases, computer programs, content and manuals and other documentation, and registrations and applications for any of the foregoing ("**Copyrights**"); (iv) all corporate names, trade names, logos, trademarks and service marks, trademark and service mark registrations and applications, and Internet domain names ("**Trademarks**"); and (v) all other intellectual and industrial property rights of any sort throughout the world, and all applications, registrations and the like with respect thereto.

"**Intercompany Services Agreements**" refers to (i) that certain Service Agreement dated January 1, 2008, as amended to date, between Logia Content and Seller, (ii) that certain Service Agreement dated January 9, 2009, as amended to date, between Logia Content and IGLOO, (iii) that certain Service Agreement, as amended, among Volas, Logia Content and Seller, (iv) and all other similar agreements between any of the Purchased Companies and Seller or any of its Affiliates.

"**IGLOO**" has the meaning set forth in the caption.

"**Israeli Code**" means the Income Tax Ordinance of Israel [New Version], 1961, as amended, and the rules and regulations promulgated thereunder.

"**Key Assets**" means (a) LogiaPay, which is an In-App payments solution for Android developers, includes all charging options with several payment methods including carrier billing, (b) VAMP, which is a CMS System for managing mobile content stores for operators, content

providers, content aggregators and other media companies, (c) front end development including, without limitation, web and mobile Ul/frontend development services for internal use, operator partners and service providers: (i) mobile portals for operators; (ii) application development; (iii) HTML5 development; (iv) integration services; (v) and design and Contracts with operators as set forth in Section 6.18.1 of the Disclosure Schedule.

"**Knowledge**" means the (i) the actual knowledge of any officer or director of any of the of Seller Group or any Purchased Company and (ii) any knowledge of any state of facts or circumstances that any officer or director of any of the Seller Group or any Purchased Company has, or reasonably could have, after making due inquiry.

"**Leased Real Property**" has the meaning set forth in Section 6.19.

"**Liabilities**" means any direct or indirect liability, Indebtedness, obligation, commitment, expense, claim, loss, damage, deficiency, costs, expense, duty, guaranty, obligation or endorsement of or by any person of any kind or nature, whether known or unknown, accrued or unaccrued, absolute, contingent, matured or unmatured, asserted or unasserted, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested or other, whether or not the same is required to be accrued on any financial statement and whether or not the same is disclosed on any schedule to this Agreement, affecting the Purchased Shares, the Purchased Companies, or any of the assets or operations, LogiaDeck, or otherwise.

"**Listed Contract**" has the meaning set forth in Section 6.17.1.

"**Logia Content**" has the meaning set forth in Section 1.1.

"**LogiaDeck**" is a proprietary platform owned by IGLOO that installs the operator's chosen apps in several methods on Android devices.

"**LogiaDeck Confidential Information**" has the meaning set forth in Section 7.8.6.

"**LogiaDeck Consideration**" has the meaning set forth in Section 4.3.

"**LogiaDeck Material Contract**" has the meaning set forth in Section 7.7.1(a).

"**Loss Payment**" has the meaning given to it in Section 10.7.1.

"**Losses**" means any claims, Liabilities, Taxes, deficiencies, demands, actions, orders, assessments, damages, dues, penalties, fines, fees, interest, amounts paid in settlement, losses, out-of-pocket costs and expenses (including reasonable attorneys' and accountants' fees and other experts or other expenses of litigation or other proceedings or of any claim, default or assessment), including, without limitation, relating to the Purchased Companies, their equity, their assets or LogiaDeck.

"**Mail Bit**" has the meaning set forth in Section 1.1.

"**Material Adverse Effect**" means any fact, event, change, development or effect that is or could be reasonably likely to be, individually or in the aggregate, materially adverse to (i) the Business of any of the Purchased Companies, or the assets, liabilities, condition (financial or other) or operations of any of the Purchased Companies, (ii) the Key Assets, (iii) LogiaDeck or (iv) the ability of the Seller Group to consummate the Transaction.

"**Material Contract**" has the meaning set forth in Section 6.17.1.

"**Neutral Firm**" has the meaning set forth in Section 4.7.2(c).

"**OCS**" means the Office of Chief Scientist.

"**Open Source Software**" means any software (in source or object code form) licensed from a third party under (i) a license commonly referred to as an open source, free software, copyleft, community source code license or any other public source code license arrangement) or (ii) any other license that requires, as a condition of the use, modification or distribution of software subject to such license, that such software or other software combined or distributed with such software be (A) disclosed, distributed, made available, offered, licensed or delivered in source code form, (B) licensed for the purpose of making derivative works, (C) licensed under terms that allow reverse engineering, reverse assembly, or disassembly of any kind, or (D) redistributable at no charge.

"**Organizational Documents**" means the certificate or articles of incorporation, articles of association, and bylaws (or similar instruments) any amendment to any of the foregoing.

"**Parent**" has the meaning set forth in the caption.

"**Parties**" shall have the meaning ascribed to it in the introduction to this Agreement.

"**Patents**" has the meaning set forth in the definition of Intellectual Property.

"**Permits**" has the meaning set forth in Section 6.15.

"**Permitted Encumbrance**" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced:

(i) Encumbrances for Taxes, assessments, charges, levies or other claims not yet due and payable, or the validity of which are being contested in good faith and for which adequate reserves have been established in accordance with GAAP on the Reference Balance Sheets; and

(ii) Encumbrances arising by operation of law, such as materialmen's, mechanics' carriers', warehousemen's, workmen's and repairmen's liens and other similar liens for amounts not yet due and payable, which are not, individually or in the aggregate, material.

"**Post Closing Liabilities**" means only those Liabilities (or any portion thereof) of the Purchased Companies or with respect to LogiaDeck that are created during or pertain to the period following the Closing Date.

"**Pre Closing Liabilities**" means all Liabilities (or any portion thereof) of the Purchased Companies or with respect to LogiaDeck other than Post Closing Liabilities.

"**Purchaser**" has the meaning set forth in the caption

"**Purchase Price**" shall have the meaning ascribed to it under Section 4.

"**Purchased Companies**" shall have the meaning ascribed to it under Section 1.1.

"**Purchased Companies Confidential Information**" has the meaning set forth in Section 6.18.6.

"**Purchased Shares**" has the meaning set forth in Section 1.2.

"**Purchaser Group**" means, collectively, Purchaser and Parent.

"**Purchaser Indemnified Parties**" means the Purchaser Group and their directors, officers, managers, employees, agents, direct and indirect equityholders and each of their respective Affiliates, successors and assigns.

"**Reference Balance Sheets**" means the balance sheets for each of the Purchased Companies as of May 31, 2012, attached as part of Section 6.8 of the Disclosure Schedule.

"**Registration Rights and Lock Up Agreement**" has the meaning set forth in Section 9.2(1)

"**Renewal**" or "**Renewed**" means, in the context of any Contract, the renewal (or equivalent engagement) of that Contract in an executed writing with any of the Purchased Companies or their Affiliates, upon terms not materially less favourable, taken as a whole, to the Purchased Companies than the terms of the extant Contract, excluding any additional or different terms or conditions requested by the Purchased Companies, and excluding any term or condition which is the result of changes in the market in general.

"**Requisite Consent**" has the meaning set forth in Section 11.7.1

"**Restricted Period**" has the meaning set forth in Section 11.2.1.

"**Seller**" has the meaning set forth in the caption.

"**Seller Group**" collectively refers to Seller and IGLOO.

"**Seller Indemnified Parties**" means the Seller Group and their officers, managers, employees, agents, direct and indirect equityholders and each of their respective Affiliates, successors, assigns and heirs; provided, that Seller Indemnified Parties shall expressly not include the Purchased Companies.

"**Share Consideration**" means restricted common stock of the Parent, issued in a private placement transaction that has not been registered with the Securities Exchange Commission or any other governmental agency.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Set-off Amount**" has the meaning set forth in Section 10.5.

"**Share Value**" means market value of Share Consideration, determined based on the 30- day trailing volume-weighted average price of Parent's common stock immediately prior to the relevant date, determined by Parent in good faith.

"**Spyware**" has the meaning set forth in Section 6.18.7.

"**Straddle Period**" means any taxable period that begins on or before and ends after the Closing Date.

"**Survival Date**" has the meaning set forth in Section 10.1.

"**Tax**" or "**Taxes**" shall mean, wherever arising, all direct and indirect taxes, charges, fees, imposts, withholdings, duties and other assessments imposed by any governmental entity, including income (whether actual or deemed), sales, use, transfer, stamp, transaction, real estate, investment, value added, withholding, employment, asset holding, registration, preliminary and deferred Tax and social security fees, together with any interest, penalties, residual Tax charges, additions to Tax or any other additional amount imposed by any governmental entity.

"**Tax Contest**" means an audit, claim, dispute or controversy relating to Taxes.

"**Tax Return**" shall mean any return, declaration, report, claim for refund or information statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"**Terminated Person**" has the meaning set forth in Section 9.2(k).

"**Third Party Claim**" means any claim, issuance of any Order or the commencement of any Action by any person who is not a party to this Agreement or an Affiliate of a party, including without limitation any governmental authority.

"**Trademarks**" has the meaning set forth in the definition of Intellectual Property.

"**Trailing Period**" has the meaning set forth in Section 16.17.1(b).

"**Transaction**" means the transaction contemplated by this Agreement and the Transaction Documents.

"**Transaction Documents**" means this Agreement, the Disclosure Schedule and any exhibit and schedule, document or certificate attached to this Agreement or executed and delivered pursuant to this Agreement.

"**Transaction Expenses**" means the aggregate amount of the fees, expenses and other amounts (including all attorneys' fees, financial advisory, brokerage and investment banking fees, accountants' fees, and commitment fees) that have been paid or that become payable or are otherwise incurred by or on behalf of Seller Group, any of the Purchased Companies and/or any

of their respective Affiliates in connection with the preparation, negotiation and enforcement of this Agreement and otherwise in connection with the Transaction.

“**Volas**” has the meaning set forth in Section 1.1.

“**Volume Litigation**” means that certain lawsuit, Case No. 24746-04-11 ת.א. filed by E- Go Strategic Marketing Ltd. against Seller and certain other parties.

3. SALE AND PURCHASE

3.1 **Purchased Shares**. Subject to the terms and conditions set forth in this Agreement, at the Closing the Seller shall sell and transfer full ownership of the Purchased Shares to the Purchaser Group, free and clear of any and all Encumbrances, and the Purchaser Group shall purchase and accept the transfer of full ownership of the Purchased Shares.

3.2 **Logia Deck**. Subject to the terms and conditions set forth in this Agreement, at the Closing IGLOO shall sell and transfer full ownership of all rights and assets related and comprising LogiaDeck to the Purchaser, free and clear of any and all Encumbrances, and the Purchaser shall purchase and accept the transfer of full ownership of the rights and assets of LogiaDeck.

4. PURCHASE PRICE

The consideration (collectively, the “**Purchase Price**”) for (a) the Purchased Shares shall be the aggregate of (i) the Closing Share Purchase Consideration and (ii) the Contingent Share Purchase Consideration and (b) LogiaDeck shall be the LogiaDeck Consideration.

4.1 **Closing Share Purchase Consideration**

The Purchaser Group shall pay and deliver to Seller, or Escrow Agent, as applicable, at Closing the following consideration (the “**Closing Share Purchase Consideration**”) for the Purchased Shares comprised of the following:

(a) A payment of One Million U.S. Dollars (US $1,000,000); and

(b) A quantity of Share Consideration with the aggregate Share Value of Two Hundred Fifty Thousand U.S. Dollars (US $250,000) determined immediately prior to the Closing Date.

The Closing Share Purchase Consideration in Section 4.1(a) is subject to adjustment at or following Closing by an increase or decrease, as applicable, in an amount equal to the Estimated Working Capital True-Up in accordance with Section 4.7.

4.2 **Contingent Share Purchase Consideration**

4.2.1 **Determination**. In addition to the Closing Share Purchase Consideration, the Seller is entitled to receive, and Purchaser Group shall pay to Seller, certain contingent

purchase consideration (the "**Contingent Share Purchase Consideration**") for the Purchased Shares as set forth below:

(a) **2013 Cellcom Agreement**. The Purchaser Group shall pay or deliver the following Contingent Share Purchase Consideration to Seller, on account of the anticipated Renewal or the Renewal of the 2012 Cellcom Agreement for calendar year 2013 (as so Renewed, the "**2013 Cellcom Agreement**"):

(i) the sum of $62,500 on each of March 31, 2013, June 30, 2013, September 30, 2013 and December 31, 2013, with respect to the immediately preceding calendar quarter; provided, however that if at any time during 2013 any of the Purchased Companies shall cease to enjoy the benefits of the 2012 Cellcom Agreement as if it were Renewed, or Cellcom shall have terminated the 2012 Cellcom Agreement for any reason other than breach thereof by any of the Purchased Companies, no further Contingent Share Purchase Consideration shall be payable to Seller under this Section 4.2.1(a)(i); and

(ii) upon earlier of (i) the Renewal of 2012 Cellcom Agreement and (ii) December 31, 2013, provided the 2012 Cellcom Agreement was not terminated prior to the date by Cellcom for any reason other than breach thereof by any of the Purchased Companies, a quantity of Share Consideration with the aggregate Share Value of Two Hundred Fifty Thousand U.S. Dollars (US$250,000), determined immediately prior to the date of the Renewal, shall be payable as soon as practicable following the date of the Renewal.

(b) **2014 Cellcom Agreement**. The Purchaser Group shall pay or deliver the following Contingent Share Purchase Consideration to Seller, on account of the anticipated Renewal or the Renewal of the 2013 Cellcom Agreement for calendar year 2014 (as so Renewed, the "**2014 Cellcom Agreement**"):

(i) the sum of $62,500 on each of March 31, 2014, June 30, 2014, September 30, 2014 and December 31, 2014, with respect to the immediately preceding calendar quarter; provided, however that if at any time during 2014 any of the Purchased Companies shall cease to enjoy the benefits of the 2013 Cellcom Agreement as if it were Renewed, or Cellcom shall have terminated the 2013 Cellcom Agreement for any reason other than breach thereof by any of the Purchased Companies, no further Contingent Share Purchase Consideration shall be payable to Seller under this Section 4.2.1(b)(i); and

(ii) upon earlier of (i) the Renewal of 2013 Cellcom Agreement and (ii) December 31, 2014, provided the 2013 Cellcom Agreement was not terminated prior to that date by Cellcom for any reason other than breach thereof by any of the Purchased Companies, a quantity of Share Consideration with the aggregate Share Value of Two Hundred Fifty Thousand U.S. Dollars (US$250,000), determined immediately prior to the date of the Renewal, shall be payable as soon as practicable following the date of the Renewal.

4.3 **LogiaDeck Consideration**. The Purchaser Group shall pay and deliver to IGLOO (the "**LogiaDeck Consideration**") at Closing for LogiaDeck (i) the sum of Two Million Seven Hundred Fifty Thousand U.S. Dollars ($2,750,000), plus (ii) a quantity of Share Consideration with the aggregate Share Value of Five Hundred Thousand U.S. Dollars (U.S.

$500,000) determined immediately prior to the Closing Date (together with the Share Consideration under Section 4.1(b) above, the “**Closing Share Consideration**”).

4.4 **Allocation of Purchased Shares between Purchaser and Parent**. For purposes of this Agreement, Parent shall be deemed to have purchased 23% of the Purchased Shares and Purchaser shall be deemed to have purchased 77% of the Purchased Shares. This allocation shall not limit the joint and several obligation of Parent and Purchaser as provided in Section 12.14.

4.5 **Indemnity Escrow**. Seller Group and Purchaser Group shall enter into the Escrow Agreement with the Escrow Agent, and Purchaser Group shall (i) simultaneously with the Closing deposit with the Escrow Agent the Closing Share Consideration and (ii) such other Share Consideration as required by Section 10.2.3 (the Share Consideration set forth in clauses (i) and (ii) being collectively referred to as the “**Escrow Shares**”). The Escrow Shares and any dividends in cash or in kind, or proceeds thereof are referred to herein as the “**Escrow Fund**” and shall be held by the Escrow Agent and released to the Seller Group, subject to any indemnity claims upon the first anniversary of the Closing Date, *provided however*, that one third of the Escrow Shares will be released to the Seller Group only on the later of (i) the expiration of twelve (12) months from the Closing Date and (ii) the date which is the earlier of (x) the date that Requisite Consents or Renewals have been obtained for all Designated Contracts and (y) the expiration of thirty six (36) months from the Closing Date. Distributions from the Escrow Fund shall be governed by the terms and conditions of the Escrow Agreement.

4.6 **Payment Instructions**. Payment of the cash portion of the Purchase Price due to Seller Group shall be made by wire transfer of immediately available funds for the benefit of Seller Group as instructed by Seller Group in writing.

4.7 **Reconciliation of Working Capital**

4.7.1 **Pre-Closing Estimate**. Not less than two (2) Business Days prior to the Closing Date and in no event more than five (5) Business Days prior to the Closing Date, the Seller shall in good faith prepare a statement (the “**Estimated Closing Statement**”) setting forth the difference between Current Assets and Current Liabilities, determined as of the close of business on the last Business Day immediately prior to the Closing Date and on a basis consistent with GAAP (such difference, the “**Estimated Working Capital Amount**”). The Estimated Closing Statement shall be in reasonable detail and shall be accompanied by supporting documentation and work papers. If the Estimated Working Capital Amount as stated on the Estimated Closing Statement is less than zero, then the amount payable by Purchaser under Section 4.1(a) shall be reduced by an amount which is equal to an amount necessary to cause the Estimated Working Capital Amount to equal zero. If the Estimated Net Working Capital Amount as stated on the Estimated Closing Statement exceeds zero, then the amount payable by Purchaser under Section 4.1(a) shall be increased in an amount in cash equal to such excess. Notwithstanding the foregoing, neither party shall be required to make a payment hereunder unless the required payment exceeds $ 10,000, in which case the full amount of the payment shall be made (i.e., from the first dollar), and all calculations shall be made without duplication for any Indebtedness paid off at or immediately prior to the Closing pursuant to Section 9.2(h). The amount due from Seller or Purchaser, as applicable, is referred to as the “**Estimated Working Capital True-Up**.”

4.7.2 **Post Closing Reconciliation**.

(a) Within sixty (60) days after the Closing Date, the Purchaser shall prepare in good faith and deliver to the Seller a statement (the "**Closing Statement**") setting forth the difference between Current Assets and Current Liabilities, determined as of the close of business on the last Business Day immediately prior to the Closing Date, without giving effect to the transactions contemplated by this Agreement on a basis consistent with GAAP (such difference, the "**Closing Date Net Working Capital Amount**"). The Closing Statement shall be in reasonable detail and shall be accompanied by supporting documentation and work papers.

(b) If the Closing Date Net Working Capital Amount as stated on the Closing Statement, after giving effect to the Estimated Working Capital True-Up, is less than zero, then the Seller shall pay to Purchaser an amount which is equal to the amount necessary to cause the Estimated Working Capital Amount to equal zero. If the Closing Date Net Working Capital Amount as stated on the Closing Statement, after giving effect to the Estimated Working Capital True-Up, exceeds zero, then Purchaser shall pay to Seller an amount in cash equal to such excess. Unless Seller issues a Dispute Notice, the amount due, if any, shall be paid by the applicable Party within ten (10) Business Days of delivery of the Closing Statement. Notwithstanding the foregoing, neither party shall be required to make a payment hereunder unless the required payment exceeds $ 10,000, in which case the full amount of the payment shall be made.

(c) The Closing Statement will be final, conclusive and binding on the Parties unless the Seller provides a written notice (a "**Dispute Notice**") to Purchaser no later than ten (10) Business Days after delivery of the Closing Statement setting forth in reasonable detail the nature of any disagreement so asserted and the estimated dollar amount of the disputed sums. Any item or amount to which no dispute is raised in the Dispute Notice will be final, conclusive and binding on the Parties. Purchaser and Seller will attempt to resolve the matters raised in a Dispute Notice in good faith. If any such matters remain unresolved by the date that is ten (10) Business Days after the date on which the Dispute Notice was delivered to the Purchaser, either the Purchaser or the Seller may provide written notice to the other that it elects to submit the disputed items to KPMG (Israel branch), or such other mutually agreeable, internationally recognized accounting firm who shall be independent and does not represent any of the Parties in any other matter (the "**Neutral Firm**"). The Neutral Firm will promptly review only those items and amounts (and may not assign a value greater than the greatest value for such item claimed by either Party or smaller than the smallest value for such item claimed by either Party) specifically set forth and objected to in the Dispute Notice and resolve the dispute with respect to each such specific item and amount. The fees and expenses of the Neutral Firm shall be allocated and be paid by Purchaser and Seller, based upon the percentage that the portion of the contested amount not awarded to each Party bears to the amount actually contested by such Party, as determined by the Neutral Firm. The decision of the Neutral Firm with respect to the Closing Statement will be final, conclusive and binding on the Parties. The Neutral Firm's decision shall be based solely on written submissions by Purchaser and Seller and their respective representatives and not by independent review. The Neutral Firm shall not hold any hearings, hear any oral testimony or otherwise seek or require any other evidence. Subject to the foregoing, Purchaser and Seller each agrees to use its commercially reasonable efforts to cooperate with the Neutral Finn and to cause the Neutral Firm to resolve any dispute no later than twenty (20) Business Days after

engagement of the Neutral Firm. Any amount payable pursuant to this Section shall be paid within five (5) Business Days after the date on which such amount is determined to be payable by wire transfer of immediately available funds to the account designated by the recipient in writing provided, however, that Purchaser may, at its option, elect to receive any payment due to Purchaser pursuant to this Section (or any portion thereof) from the Escrow Fund, in which case Purchaser shall give written notice of such election to the Seller and Purchaser and Seller shall issue instructions to the Escrow Agent to release from the Escrow Fund an amount of Escrow Shares equal to the amount due Purchaser based on the Share Value determined immediately prior to the Closing Date.

5. CLOSING

5.1 **Place and Time**. Upon the terms and subject to the conditions set forth in this Agreement, the closing of the Transaction ("**Closing**") shall take place in Israel at such location mutually agreed by the Parties, within three (3) Business Days from the date that all closing conditions set forth in Section 9 have been satisfied or waived (the "**Closing Date**") or at such other time or place as Purchaser Group and Seller Group may agree.

5.2 **Closing Deliveries**. On the Closing Date, all of the following deliveries shall take place:

(a) Purchaser Group's responsibilities.

(i) The Parent shall pay and deliver to Seller, or the Escrow Agent, as applicable, the Closing Share Purchase Consideration due at Closing in the manner specified in this Agreement;

(ii) The Purchaser shall pay to IGLOO the LogiaDeck Consideration; and

(iii) The Purchaser Group shall deliver such additional documents and certificates, and take such additional actions, as specified in this Agreement or as or reasonably necessary to give effect to the terms of this Agreement at Closing.

(b) Seller Group's responsibilities.

(i) The Seller shall transfer and deliver to Purchaser Group (i) the Purchased Shares, (ii) subject to the provisions of Section 11.7, all Contracts held by Seller or any Affiliate, other than the Purchased Companies and (iii) such other transfer instrument necessary to give effect to this Agreement and to removal of any and all Encumbrances on the Purchased Shares or other assets transferred hereunder;

(ii) IGLOO shall assign and transfer to Purchaser all assets comprising LogiaDeck free and clear of all Encumbrances; and

(iii) The Seller Group shall deliver such additional documents and certificates, and take such additional actions, as specified in this Agreement or as or reasonably necessary to give effect to the terms of this Agreement at Closing.

6. SELLER'S REPRESENTATIONS AND WARRANTIES

Except as set forth in the Disclosure Schedule, Seller hereby represents and warrants to Purchaser Group as follows:

6.1 **Organization, Authority, Due Execution and Binding Effect**. Seller is duly organized, validly existing and in good standing under the laws of the State of Israel and has the requisite power and authority to execute and deliver this Agreement or any Transaction Document to which Seller is a party, to consummate the Transaction and to perform its obligations under this Agreement and such Transaction Documents. This Agreement and each Transaction Document to which Seller is a party has been duly and validly executed and delivered by Seller. Assuming the due authorization, execution and delivery by the other Parties hereto, this Agreement and such Transaction Documents shall constitute, upon such execution and delivery hereof, the valid and binding obligations of Seller, enforceable in accordance with their respective terms except as enforcement may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditors rights generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in law or equity).

6.2 **No Conflict**. Neither the execution and delivery of this Agreement by Seller, nor the performance by Seller of its obligations hereunder or thereunder shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any law or order to which Seller or any of the Purchased Companies may be subject; (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of Seller or the Purchased Companies; or (c) conflict with, result in a breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any right of termination, amendment, acceleration, suspension, revocation or cancellation of, result in the creation of any Encumbrance (other than a Permitted Encumbrance) pursuant to any Contract to which any of the Purchased Companies is a party or by which any of their assets or properties are bound or affected.

6.3 **Authorizations**. The execution, delivery and performance of this Agreement and each Transaction Document to which Seller or any Purchased Company is a party do not and shall not require any third party consent or governmental authorization.

6.4 **Ownership; Capitalization; No Encumbrances with Respect to Purchased Shares**. Seller owns of record and beneficially all of the Purchased Shares, free and clear of any Encumbrances, and has good and valid title to the Purchased Shares, and the Purchased Shares constitute all of the issued and outstanding equity of the Purchased Companies. The Purchased Shares are duly authorized and, validly issued, and were issued in compliance with applicable laws, rules and regulations, including applicable securities laws, and the Organizational Documents of the respective Purchased Companies. Neither the Seller nor any Purchased

Company is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of any Purchased Company or any warrants, options or other rights to acquire any shares of any Purchased Company. Neither Seller nor any other person (a) owns, beneficially or of record, any shares or other securities, or any rights to purchase any shares or other securities, of the Purchased Companies other than the Purchased Shares described in Section 6.4 of the Disclosure Schedule and owned by Seller or (b) has any pre-emptive, conversion, subscription or other rights, warrants, options, arrangements or agreements to issue or purchase, any equity securities of the Purchased Companies. Except for this Agreement, there are no outstanding pre-emptive, conversion, subscription or other rights, warrants, options or agreements to purchase or with respect to the Purchased Shares. There are no agreements or arrangements to which Seller is a party relating to the Business of any Purchased Company or to Seller's rights and obligations as a shareholder of the Purchased Companies or the rights and obligations of its designees as directors or officers of the Purchased Companies. Seller does not own, directly or indirectly, on an individual or joint basis, any material interest in, any customer, competitor or supplier of the Purchased Companies. Seller does not have any outstanding power of attorney or proxy with respect to the ownership or voting of the Purchased Shares. None of Seller or any of the Purchased Companies has adopted or authorised any plan for the benefit of its respective officers, employees, consultants or directors which requires or permits the issuance, sale, purchase, or grant of any share capital or other securities or any securities convertible into, or exercisable or exchangeable for, or evidencing the right to subscribe for any such shares or securities, of any Purchased Company. All dividends or other distributions of profits declared, made or paid since the date of incorporation of the Purchased Companies have been declared, made or paid in accordance with law and their respective Organizational Documents.

6.5 **Securities Laws Matters**. Seller is acquiring the Share Consideration for Seller's own account and the Share Consideration is being, and will be, acquired by Seller for the purpose of investment and not with a view to distribution or resale thereof. Seller has no present intention of selling, granting any participation in, or otherwise distributing any portion of the Share Consideration and does not presently have any Contract, undertaking or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Share Consideration. Seller acknowledges it is able to bear the economic risk of the Share Consideration, and has such knowledge and experience in financial or business matters that the Seller is capable of evaluating the merits and risks of the Share Consideration. Without derogating from any of the rights of Seller pursuant to the Registration Rights and Lock-Up Agreement, Seller understands that (i) the Share Consideration has not been, and will not be, registered under the Securities Act, (ii) the securities comprising the Share Consideration are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, Seller must hold the Share Consideration indefinitely unless such shares are registered with the Securities and Exchange Commission and qualified by any applicable state authorities, or an exemption from such registration and qualification requirements is available, (iii) Purchaser Group has no obligation to register or qualify the Share Consideration and, if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Share Consideration, and on requirements relating to Purchaser Group which are outside of Seller's control, and which Purchaser Group is under no obligation and may not be able to satisfy, (iv) this offering is not intended to be part of a public offering, and that Seller will not be

able to rely on the protection of Section 11 of the Securities Act and (v) the Share Consideration and any securities issued in respect of or exchange for the Share Consideration shall bear the following legend, as well as any other legends required by state or foreign securities laws:

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY FOREIGN OR STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH."

6.6 **Organization and Qualification**. Each of the Purchased Companies is a private company duly organized, validly existing and in good standing under the laws of the State of Israel and has all requisite corporate power and authority to own, lease and operate its properties and to conduct its Business as now being conducted and as contemplated to be conducted. Each Purchased Company has at all times carried on its business and affairs in all respects in accordance with its Organizational Documents and all applicable laws and regulations, and there is no violation or default with respect to any statute, regulation, order, decree, or judgment of any court or any governmental entity which could have a Material Adverse Effect upon the assets or business of such Purchased Company. Each Purchased Company is duly qualified or licensed and in good standing to conduct the Business in each jurisdiction in which the property owned, leased or operated by it and the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not result in a Material Adverse Effect. Each Purchased Company has delivered or made available to the Purchaser Group copies of its Organizational Documents, and such copies are correct and complete as of the date hereof. Each Purchased Company maintains all corporate, shareholder or other records and registries required by law and true and complete copies of all such documents have been delivered to the Purchaser Group. Each Purchased Company has made and filed all returns, particulars, resolutions and documents required by the Companies Law 1999 or any other legislation to be filed with the Israel Registrar of Companies or any other governmental or local authority.

6.7 **Subsidiaries; Investments**. None of the Purchased Companies own or control, directly or indirectly, any interest in any other person. None of the Purchased Companies has made any investment and does not hold any interest in or have any outstanding loan or advance to or from, any person, including, without limitation, any Affiliate, officer, director or equity holder of such Purchased Company.

6.8 **Financial Statements**. Attached hereto as part of Section 6.8 of the Disclosure Schedule are the Financial Statements, including the Reference Balance Sheets. The Financial Statements (i) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, except as would not result in any misstatement in excess of NIS 70,000 of any of the Purchased Companies revenues, expenses, net income, total assets or total liabilities, (ii) are consistent in all material respects with the books and records of the Purchased Companies and (iii) fairly present the financial condition and results of operations of the Purchased Companies as of the respective date thereof and for the period referred to therein, except that the Financial Statements for interim periods are subject to normal and recurring year-end adjustments, which adjustments will not be material.

6.9 **Accounts Receivable**. All of the accounts receivable of each of the Purchased Companies are valid, and are not subject to any valid right of set-off, counterclaim or promise or commitment for future discounts; provided that accounts receivable are subject to adjustment for trade allowances and similar adjustments consistent with past practices of the Purchased Companies. Since the date of the Reference Balance Sheets, each of the Purchased Companies has collected its accounts receivable in the ordinary course of its business and in a manner which is consistent with past practices and has not accelerated any such collections. None of the Purchased Companies has any accounts receivable or loans receivable from any person which is affiliated with it, the Seller or any of their respective directors, officers, or equityholders. This representation shall not be construed as a guaranty of collection of any of the Purchased Companies' accounts receivable.

6.10 **Accounts Payable**. All accounts payable and notes payable of each Purchased Company arose in bona fide arm's length transactions in the ordinary course of business and no such account payable or note payable is delinquent in its payment. Since the date of the Reference Balance Sheets, each Purchased Company has paid its accounts payable in the ordinary course of its business and in a manner which is consistent with its past practices. None of the Purchased Companies has any account payable to any person who is affiliated with it, the Seller or any of their respective directors, officers or equityholders.

6.11 **No Undisclosed Liabilities**. There are no material Liabilities of any of the Purchased Companies, and, to the Knowledge of the Seller, there is no existing condition, situation or set of circumstances which could reasonably be expected to result in any material Liability, in each case, other than: (a) Liabilities adequately reflected or reserved against on the Reference Balance Sheets; (b) Liabilities incurred since the date of the Reference Balance Sheets in the ordinary course of business (for which there are adequate reserves); (c) Liabilities incurred in connection with the Transaction; and (d) Liabilities set forth in Section 6.11 of the Disclosure Schedule.

6.12 **Absence of Changes**. Since the date of the Reference Balance Sheets, except as disclosed in the Financial Statements, each of the Purchased Companies has conducted its business only in the ordinary course consistent with past practice and there has not been:

(a) any change in the assets, liabilities, condition (financial or other), properties, business, operations of such Purchased Company, which change by itself or in conjunction with all other such changes, whether or not arising in the ordinary course of business, would reasonably be expected to result in a Material Adverse Effect; any Encumbrance placed on any of the properties of such Purchased Company, other than purchase money liens and liens for Taxes not yet due and payable;

(b) any material damage, destruction or loss, whether or not covered by insurance;

(c) any declaration, setting aside or payment of any distribution by such Purchased Company, or the making of any other distribution in respect of the equity interests of such Purchased Company, or any direct or indirect redemption, purchase or other acquisition by such Purchased Company of its own equity interests;

(d) any labour trouble or claim of unfair labour practices involving such Purchased Company;

(e) any resignation, termination or removal of any officer of such Purchased Company or material loss of personnel of such Purchased Company or material change in the terms and conditions of the employment of such Purchased Company's officers or key personnel;

(f) any contingent Liability incurred by such Purchased Company as guarantor or to the Knowledge of Seller, otherwise with respect to the obligations of others, or any cancellation of any material debt or claim owing to, or waiver of any material right of, such Purchased Company, including any write-off or compromise of any accounts receivable other than write-offs in the ordinary course of business consistent with past practice not exceeding NIS 70,000;

(g) any change in accounting methods or practices, collection policies, pricing policies or payment policies of such Purchased Company;

(h) any amendment or termination of any Material Contract (or any Contract that would be a Material Contract but for such amendment a termination);

(i) any Contract relating to any royalty or similar payment based on the revenues, profits or sales volume of such Purchased Company, whether as part of the terms of such Purchased Company's equity interests or by any separate agreement;

(j) any other material transaction entered into by such Purchased Company other than transactions in the ordinary course of business; or

(k) any agreement or understanding whether in writing or otherwise, for such Purchased Company to take any of the actions specified in paragraphs (a) through (j) above.

6.13 **Litigation**. There are no Actions by or against any of the Purchased Companies, or affecting any of their assets, pending or, to the Knowledge of the Seller, threatened. Section 6.13 of the Disclosure Schedule includes a list of all material Actions and, to the Knowledge of the Seller, investigations involving any of the Purchased Companies occurring, arising or existing during the past three (3) years which were not resolved or otherwise settled in a manner favourable to the Purchased Companies on or prior to the date of this Agreement. There are no Actions by or against Seller pending before, or to Seller's Knowledge, threatened to be brought by or before, any governmental authority, which would seek to delay or prevent the consummation of the Transaction, or which would result in a Material Adverse Effect on the Transaction.

6.14 **Compliance with Laws**. Each of the Purchased Companies is conducting, and has heretofore conducted, their respective business in accordance with all laws applicable to it, its assets or its business, in all material respects. None of the Purchased Companies have entered into or been subject to any order with respect to any aspect of its business, affairs, properties or assets or received any request for information, notice, demand letter, administrative

inquiry or formal or informal complaint or claim from any regulatory agency with respect to any aspect of its business, affairs, properties or assets.

6.15 **Permits**. None of the Purchased Companies is in violation of or default under any permit, license, approvals, franchise, orders, consents, authorization, registrations, qualifications or other rights and privileges from any governmental authority (collectively, "**Permits**") used in their respective business as presently conducted and all such Permits are valid and in full force and effect, and no material Permit shall be revoked, terminated prior to its normal expiration date or not renewed pursuant to its terms solely as a result of the consummation of the Transaction.

6.16 **Environmental Matters**. No Purchased Company (or any assets or properties which such Purchased Company occupies or uses or has occupied or used) has been the subject of any environmental audit or any evaluation, assessment, study or test. No Purchased Company (or anyone acting on its behalf) has stored, treated, transported or disposed of any hazardous substance other than in a safe manner in accordance with applicable law. "Hazardous substance" means any substance which might damage or pollute the environment (including surface water, ground water, air and land) or be a hazard to human beings.

6.17 **Contracts**.

6.17.1 Section 6.17.1 of the Disclosure Schedule lists each of the following written or oral Contracts and agreements (any Contract listed, or required to be listed, on Section 6.17.1 of the Disclosure Schedule, a "**Listed Contract**" and, except as limited in the subsections of this Section 6.17.1, the "**Material Contracts**"):

(a) Each Contract with any seller, reseller, distributor or operator of mobile phone equipment or services to which any of the Purchased Companies is a party or which is related to the business of the Purchased Companies, whether any of the Purchased Companies, Seller or any Affiliate of Seller is the party thereto;

(b) Each Contract (x) for the purchase or lease of personal property, (y) with any supplier, publisher or for the furnishing of services to such Purchased Company or (z) with any advertiser or customer, in each case with payments greater than NIS 70,000 per year or not cancellable by such Purchased Company, without penalty, on less than 60 days' notice (which shall constitute Material Contracts if the amount paid thereunder in the twelve-month period ended June 30, 2012 (the "**Trailing Period**") was greater than NIS 100,000);

(c) all broker, exclusive dealing or exclusivity, distributor, dealer, franchise, agency, sales promotion, market research, marketing, consulting and advertising Contracts to which such Purchased Company is a party or any other Contract that compensates any person based on any sales by such Purchased Company (which shall constitute Material Contracts if the amount paid thereunder in the Trailing Period was greater than NIS 100,000);

(d) all Contracts relating to Leased Real Property (which shall constitute Material Contracts if the amount paid thereunder in the Trailing Period was greater than NIS 100,000);

(e) all Contracts relating to Indebtedness other than trade indebtedness, including any Contracts and agreements in which any Purchased Company is a guarantor of Indebtedness;

(f) all Contracts pursuant to which any Purchased Company has advanced or loaned, or agreed to advance or loan, any amount to any person, other than advances to employees of business expense in the ordinary course of business consistent with past practices;

(g) all Contracts that limit or purport to limit the ability of any Purchased Company to compete in any line of business or with any person or in any geographic area or during any period of time;

(h) all Contracts and agreements relating to the voting and any rights or obligations of an equity holder of any Purchased Company;

(i) all Contracts regarding the acquisition, issuance or transfer of any securities of any Purchased Company and all Contracts affecting or dealing with any securities of such Purchased Company;

(j) all employment or consulting Contracts or commitments with any employee, contractor, consultant or advisor other than at-will employment arrangements with no severance or change in control payment obligations of any Purchased Company (which shall constitute Material Contracts if (i) any officer or director of any of the Purchased Companies or the Seller, or any direct or indirect Affiliate of the Seller or any Purchased Company is a party thereto, (ii) if it provides for annual compensation in an amount in excess of NIS 200,000, or (iii) if the amount paid thereunder in the Trailing Period was in excess of NIS 200,000);

(k) all Contracts of indemnification or guaranty to any person to which any Purchased Company is a party;

(1) all Contracts relating to capital expenditures and involving future payments in excess of NIS 70,000 to which any Purchased Company is a party;

(m) all Contracts relating to the disposition of assets or any interest in any business enterprise or any agreement relating to the acquisition of assets or any interest in any business enterprise to which any Purchased Company is a party;

(n) any joint venture, joint marketing (including any pilot program), partnership, strategic alliance or other agreement involving the sharing of profits, losses, costs or Liabilities with any person or any development, data-sharing, marketing or similar arrangement relating to any product or service to which any Purchased Company is a party;

(o) all Contracts with any current officer or director of any Purchased Company;

(p) all Contracts pursuant to which any Purchased Company agreed to provide “most favoured nation” pricing or other terms and conditions to any person with respect

to such Purchased Company's sale, distribution, license or support of any of such Purchased Company's products or services (which shall constitute Material Contracts if the amount paid thereunder in the Trailing Period was greater than NIS 100,000);

(q) all other Contracts and arrangements to which any Purchased Company is a party, whether or not made in the ordinary course of business, that contemplate an exchange of consideration with an aggregate value greater than NIS 70,000 or under which the consequences of a default or termination would reasonably be expected to have a Material Adverse Effect (which shall constitute Material Contracts if the consequences of a default or termination would reasonably be expected to have a Material Adverse Effect); and

(r) all Contracts between Seller or any Affiliates on the one hand, and the any of the Purchased Companies on the other hand.

6.17.2 Each Material Contract to which a Purchased Company is a party or to which its assets are bound (i) is valid and binding on such Purchased Company, as applicable, and, to the Knowledge of the Seller, on the other parties thereto, and is in full force and effect, and (ii) upon consummation of the Transaction contemplated by this Agreement, shall continue in full force and effect without penalty or other adverse consequence. None of the Purchased Companies is, in any material respect, in breach or violation of, or default under, any Material Contract and, to the Knowledge of the Seller, no other party to any Material Contract is, in any material respect, in breach or violation thereof or default thereunder. To the Knowledge of the Seller, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default under any Material Contract. The Seller has delivered to Purchaser Group true and complete copies of each Material Contract.

6.18 **Intellectual Property**.

6.18.1 Each Purchased Company owns, is licensed for, or possesses sufficient rights with respect to, its Intellectual Property, except for such items as have yet to be conceived or developed or that may reasonably be expected to be available for licensing on reasonable terms from third parties. Without limiting the foregoing the Purchased Companies own, or will own at Closing, all right, title and interest to the Key Assets and all other Intellectual Property, which is sufficient to carry on the Business as now conducted, and the Purchased Companies will continue to own such rights following Closing, and all such rights will be transferred to Purchaser at Closing. To the Seller's Knowledge, none of the Purchased Companies has violated or infringed, and is not currently violating or infringing, any Intellectual Property of any other person. There are no pending proceedings or adverse claims made or, to the Knowledge of the Seller, threatened against any Purchased Company with respect to its Intellectual Property. None of the Seller or any Purchased Company has received any written communication alleging that any Purchased Company or its Intellectual Property infringes or misappropriates any Intellectual Property Rights of a third party. No Purchased Company has brought or threatened any action, suit or proceeding against any third party for any infringement of any of its Intellectual Property or any breach of any license, sublicense or agreement involving its Intellectual Property and is not aware of a bona fide basis for such a proceeding. Section 6.18.1 of the Disclosure Schedule lists (by name, number, jurisdiction and owner) all Intellectual Property owned by each

Purchased Company, including the Key Assets, all issued Patents, all registered and material unregistered Marks, all registered Copyrights and all domain name registrations. No cancellation, termination, expiration or abandonment of any of the foregoing (except natural expiration or termination at the end of the full term) is anticipated by any of the Seller or any Purchased Company.

6.18.2 To the Seller's Knowledge, there are no questions or challenges with respect to the validity of any claims of any of the Intellectual Property of any Purchased Company listed in Section 6.18.1 of the Disclosure Schedule or the validity (or any other aspect or status) of any other Intellectual Property owned by any of the Purchased Companies.

6.18.3 Section 6.18.3 of the Disclosure Schedule lists: (i) all licenses, sublicenses and other Contracts to which any of the Purchased Companies is a party that assign, authorize to use, encumber, or give access to any of its Intellectual Property to a third party and (ii) all licenses, sublicenses and other agreements pursuant to which any Purchased Company has received rights to use any third party Intellectual Property (other than off-the-shelf shrink-wrap, click-through or similar licenses for commercially available software, in each case, with no recurring license fee). None of the Purchased Companies has entered into any Contract to indemnify, hold harmless or defend any other person with respect to any assertion of infringement. To the Seller's Knowledge, no event or circumstance has occurred or exists (including, without limitation, the authorization, execution or delivery of this Agreement or the consummation of any of the transactions contemplated hereby) that would result in a breach or violation of any license, sublicense or other Contract required to be listed in Section 6.18 of the Disclosure Schedule.

6.18.4 There are (i) no defects in any software included in the Intellectual Property owned by any of the Purchased Companies that would prevent such software from performing in accordance with its user specifications and (ii) no viruses, worms, Trojan horses or similar programs in any such software, in each case, that would materially impair the performance of such software or otherwise compromise the integrity or security of any data used or accessible by such software. Each of the Purchased Company's software operates and performs in all material respects in a manner that permits such Purchased Company to conduct its Business and, to the Knowledge of the Seller, no person has gained unauthorized access to such software and such Purchased Company has implemented reasonable backup and disaster recovery technology consistent with industry practices.

6.18.5 None of the Purchased Companies has granted, directly or indirectly, any current or contingent rights, licenses or interests in or to the source code of any of its products or software and since such Purchased Company developed the source code of each of its products and software, such Purchased Company has not provided or disclosed the source code of such products or software to any person. Except as set forth in Section 6.18.5 of the Disclosure Schedule, (i) no Open Source Software is used in, incorporated into or integrated or bundled with any Purchased Company's software or products or otherwise used in connection with any Purchased Company and (ii) none of the licenses relating to the Open Source Software listed on Section 6.18.5 of the Disclosure Schedule or any other software code used, modified or distributed by any Purchased Company obligate such Purchased Company to (1) distribute or disclose any other software combined, distributed or otherwise made commercially available

with such Open Source Software in source code form, or (2) license or otherwise make available such Open Source Software and/or other software combined, distributed or otherwise made commercially available with such Open Source Software or any associated Intellectual Property on a royalty free basis.

6.18.6 Each Purchased Company has taken reasonable steps to protect and preserve the confidentiality of all of its Intellectual Property with respect to which such Purchased Company has exclusivity and is not otherwise disclosed in published patents or patent applications or registered copyrights (“**Purchased Company Confidential Information**”). Each current and former employee and contractor of any of the Purchased Companies who contributed to the creation or development of any Purchased Company Confidential Information has executed a written agreement, in substance (i) to retain in confidence the proprietary and confidential information of the Purchased Company, including the Purchased Company Confidential Information, (ii) to transfer to the Purchased Company, as applicable, all of their interests in any Purchased Company Confidential Information relating to the products or services of the Purchased Company, developed during their work hours for any Purchased Company, (iii) not to compete directly or on behalf of any third party with the Business of the Purchased Company (as then conducted) for the particular period set forth in such agreement and (iv) not to solicit on their own behalf or on behalf of a third party, any current or future employees of the Purchased Company to leave their employment with the Purchased Company, true and correct copies of which have been delivered to Purchaser. To the Seller’s Knowledge, none of any of the Purchased Companies’ present or former employees, officers or consultants are in violation of any confidentiality, invention assignment or other agreements protecting Intellectual Property, and each Purchased Company has used commercially reasonable efforts to prevent and detect any such violation.

6.18.7 Each of the Purchased Companies has complied and does comply in all material respects with all laws regulating the transmission of commercial email and has contractually obliged and does contractually oblige all companies that send advertising on its behalf to so comply, and no claims have been asserted against any Purchased Company alleging a violation of such laws and, to the Knowledge of the Seller, no such claims are likely to be asserted against any Purchased Company and/or any third party advertisers acting on behalf of any Purchased Company. None of any of the Purchased Companies’ products or services install “spyware,” “adware” or other malicious code that could compromise the privacy or data security of end-users and/or their computer systems and/or collect information from an end user without their knowledge (collectively, “**Spyware**”). No claims have been asserted against any Purchased Company alleging any use of Spyware by such Purchased Company and, to the Knowledge of Seller (i) any third party marketing such Purchased Company’s Business and (ii) no such claims are likely to be asserted.

6.18.8 In conducting its Business, none of the Purchased Companies has, and none engages in any unfair or deceptive marketing practices. No claims have been asserted against any of the Purchased Companies alleging unfair and/or deceptive marketing practices by such Purchased Company or any third party marketing such Purchased Company’s products or services and, to the Knowledge of the Seller, no such claims are likely to be asserted.

6.18.9 None of the Purchased Companies has received or is pending receipt of any grants, incentives or subsidies, or applications therefor from the government of the State of Israel or any agency thereof, or from any foreign governmental or administrative agency, including, but not limited to, grants from the OCS. All grants from OCS to Seller have been used solely for the purposes authorized by the grant, and in no event have any grant funds been used to finance any of the Purchased Companies, or any of their assets or operations.

6.19 **Properties; Assets**. Section 6.19 of the Disclosure Schedule sets forth a complete list, as of the date hereof, of the address of each parcel of leased real property ("**Leased Real Property**"), including whether such property is subleased by any of the Purchased Companies to a third party. Each parcel of Leased Real Property is leased under a valid and subsisting lease or sublease. Each lease or sublease relating to the Leased Real Property is in full force and effect, and to the Knowledge of the Seller, none of Seller or any Purchased Company has received any written notice of any pending or threatened condemnation Actions relating any of the Purchased Companies' use or occupancy of the Leased Real Property. There is no owned real property and there are no offers to lease or agreements to lease. Each of the Purchased Companies has valid title to its assets, free and clear of Encumbrances except Permitted Encumbrances. The equipment used in the Business of each of the Purchased Companies is in good operating condition, reasonable wear and tear excepted, and suitable for the function for which it is used. The property and assets of the Purchased Companies are sufficient, and in sufficient condition, for the conduct of the Business as now conducted and as contemplated to be conducted.

6.20 **Employee Benefit Plans**.

6.20.1 Except as set forth in Section 6.20.1 of the Disclosure Schedule, no Purchased Company maintains or contributes to, nor does it have any outstanding liability to or in respect of or obligation under, any plan, program or arrangement providing bonus, deferred compensation, incentive compensation, stock purchase, stock option, equity-based compensation, severance pay, group or individual medical, life or other insurance, profit-sharing, or pension plan, whether formal or informal ("**Plans**") for the benefit of any director, officer, consultant or employee, whether active or terminated. No Purchased Company has undertaken to maintain any Plan for any period of time, and each plan may be amended or terminated without liability. No Purchased Company has a formal Plan or commitment, whether legally binding or not, to create any additional Plan or modify, change or terminate any existing Plan. No communication, report or disclosure, if any, has been made which, at the time made, did not accurately reflect the material terms and operations of any Plan.

6.20.2 Except as set forth in Section 6.20.2 of the Disclosure Schedule, no Purchased Company maintains or contributes to, nor does it have any outstanding liability to or in respect of or obligation under, any Plans.

6.20.3 Except as set forth in Section 6.20.3 of the Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any material payment (including, without limitation, severance pay or unemployment compensation) becoming due, (ii) result in the acceleration of vesting, or (iii) materially increase any benefits otherwise payable, under any Plan.

6.20.4 With respect to each of the Plans, the Seller has heretofore delivered to the Parent true and complete copies of each of the following documents the Plan and related documents (including all amendments thereto).

6.20.5 No funding liability under Title IV of ERISA or Section 412 of the Code has been incurred by and Purchased Company or the Seller, and no condition exists that presents a material risk to the Seller or any Purchased Company of incurring such a liability

6.21 **Taxes**.

6.21.1 Each of the Purchased Companies has timely filed, all Tax returns required to be filed by or with respect to the Purchased Companies; all such Tax returns are true, correct and complete in all material respects, and each Purchased Company has paid all Taxes owed by each Purchased Company, whether or not shown to be due on any such Tax returns. No Purchased Company has been delinquent in the payment of any Tax nor is there any Tax deficiency outstanding, proposed or assessed against any Purchased Company, nor has any Purchased Company executed any unexpired waiver of any statue of limitations on or extending the period for the assessment or collection of any Tax. There are no Encumbrances for Taxes (other than Taxes not yet due and payable) upon any of the assets of any Purchased Company.

6.21.2 There are no outstanding rulings of, or requests for rulings by, any taxation authority, addressed to any Purchased Company that are, or if issued would be, binding on such Purchased Company. Section 6.21.2 of the Disclosure Schedule lists each tax incentive that is material to each Purchased Company (including any tax exemption, tax holiday or other tax reduction) agreement or arrangement to which any Purchased Company is entitled, or by which any such entity is bound, under the laws of the State of Israel, and the nature of such tax incentive. Each Purchased Company has complied with all requirements of Israeli law necessary to be entitled to claim such incentives or to benefit from such agreements or arrangements. Except as set forth in Section 6.21.2 of the Disclosure Schedule, no approval of any governmental authority is required prior to consummation of the transactions contemplated hereby to preserve the entitlement of the Purchased Companies to any such incentive or to the benefit under such agreement or arrangement.

6.21.3 None of the Tax returns of any Purchased Company or Taxes payable by any Purchased Company have been the subject of an audit, action, suit, proceeding, claim, examination, deficiency, dispute or assessment by or with any governmental authority, and no such audit, action, suit, proceeding, claim, examination, deficiency or assessment is currently pending, has been proposed, or, to the Knowledge of Seller, threatened. Neither Seller nor any Purchased Company has been notified in writing by a taxing authority in any jurisdiction in which any Purchased Company does not pay Taxes or file Tax returns asserting that any Purchased Company is or may be required to pay Taxes or file Tax returns in such jurisdiction.

6.21.4 None of the Purchased Companies has any Liabilities for the Taxes of any other Person as a transferee or successor, by Contract, or otherwise. There is no Tax indemnification, allocation or sharing agreements (or similar agreements) under which any Purchased Company could be liable for the Tax liability of any other Person. No Purchased Company has any Liabilities for unpaid Taxes that have not been accrued for or reserved on the

Reference Balance Sheets in accordance with GAAP, whether asserted or unasserted, contingent or otherwise.

6.21.5 Each of the Purchased Companies has timely filed, or the Seller has timely filed on behalf of each of the Purchased Companies, all Tax returns required to be filed by or with respect to the Purchased Companies; all such Tax returns are true, correct and complete in all material respects, and each Purchased Company has paid, or the Seller has timely paid on behalf of each Purchased Company, all Taxes owed by each Purchased Company, whether or not shown to be due on any such Tax returns. No Purchased Company has been delinquent in the payment of any Tax nor is there any Tax deficiency outstanding, proposed or assessed against any Purchased Company, nor has any Purchased Company executed any unexpired waiver of any statue of limitations on or extending the period for the assessment or collection of any Tax. There are no Encumbrances for Taxes (other than Taxes not yet due and payable) upon any of the assets of any Purchased Company.

6.21.6 None of the Tax returns of any Purchased Company or Taxes payable by or with respect to any Purchased Company have been the subject of an audit, action, suit, proceeding, claim, examination, deficiency, dispute or assessment by or with any governmental authority, and no such audit, action, suit, proceeding, claim, examination, deficiency or assessment is currently pending, has been proposed, or, to the Knowledge of Seller, threatened. Neither Seller nor any Purchased Company has been notified in writing by a taxing authority in any jurisdiction in which any Purchased Company does not pay Taxes or file Tax returns asserting that any Purchased Company is or may be required to pay Taxes or file Tax returns in such jurisdiction.

6.21.7 None of the Purchased Companies has any Liabilities for the Taxes of any other person as a transferee or successor, by Contract, or otherwise. There are no Tax indemnification, allocation or sharing agreements (or similar agreements) under which any Purchased Company could be liable for the Tax liability of any other person. No Purchased Company has any Liabilities for unpaid Taxes that have not been accrued for or reserved on the Reference Balance Sheets in accordance with GAAP, whether asserted or unasserted, contingent or otherwise.

6.22 **Brokers**. No broker, finder or agent is entitled to any brokerage fees, finder's fees or commissions payable by the Seller or any of the Purchased Companies in connection with this Agreement or the Transaction.

6.23 **Insurance Coverage**. Section 6.23 of the Disclosure Schedule contains an accurate summary of the insurance policies currently maintained by each Purchased Company. There are currently no claims pending against any Purchased Company under any insurance policies currently in effect and covering the property, business or employees of the Purchased Companies, and all premiums due and payable with respect to the policies maintained by the Purchased Companies have been paid to date. To the Knowledge of the Seller, there is no threatened termination or non-renewal of any such policies or arrangements.

6.24 **Labour Matters**.

6.24.1 Section 6.24.1 of the Disclosure Schedule contains a true and complete list of all current employees of each of the Purchased Companies as of the date of this Agreement, and correctly reflects: (i) each employee's name and date of hire or, if applicable, such employee's commencement date of employment in the same work place; (ii) such employee's position, full-time or part-time status, including each such employee's classification as either exempt or non-exempt from the overtime requirements under any applicable law; (iii) such employee's monthly base salary or hourly wage rate, as applicable; (iv) any other compensation payable to such employee, including housing allowances, compensation payable pursuant to bonus, deferred compensation or commission arrangements, overtime payment, vacation entitlement and accrued vacation or paid time-off balance, travel pay or car maintenance or car entitlement, reimbursement of cellular phone usage entitlement, meal subsidizing, sick leave entitlement and accrual, recuperation pay entitlement and accrual, entitlement to pension arrangement and/or any other provident fund (including manager's insurance and education fund ("keren hishtalmut")), such employee's respective contribution rates and the salary basis for such contributions, whether such employee is subject to Section 14 Arrangement under the Israeli Severance Pay Law – 1963 ("**Section 14 Arrangement**") (and to the extent such employee is subject to Section 14 Arrangement, an indication whether such arrangement was properly implemented and has been applied as of the commencement date of employment, and if not, as of which date was such arrangement implemented), notice period entitlement and any Tax gross up entitlement; and (v) any promises or commitments made to any employee, whether in writing or orally, with respect to any future changes or additions to compensation or benefits.

6.24.2 To the Knowledge of the Seller, no officer or employee of any Purchased Company or other person is in material violation of any term of any employment contract, patent disclosure agreement, confidentiality and invention assignment agreement or any other Contract relating to the relationship of such officer, employee or other person with such Purchased Company or any other party because of the nature of the business conducted by such Purchased Company. Except as set forth in Section 6.24.2 of the Disclosure Schedule, as of the date hereof, no employee has informed such Purchased Company or the Seller of their intention to terminate employment with such Purchased Company.

6.24.3 As of the date hereof: (i) each Purchased Company is in compliance in all material respects with all applicable laws respecting labour, employment and employment practices, terms and conditions of employment and wages and hours; (ii) there is no unfair labour practice complaint against any Purchased Company pending before the National Labor Relations Board or any comparable governmental authority; (iii) there is no labour strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of the Seller, threatened against or involving any Purchased Company; (iv) no Purchased Company is a party to, nor is it bound by, any collective bargaining agreement or similar labour agreement; (v) no labour union has taken any action with respect to organizing the employees of any Purchased Company; and (vi) neither any grievance nor any arbitration proceeding arising out of or under collective bargaining agreements is pending and no claim therefor has been asserted against any Purchased Company.

6.24.4 With respect to employees of a Purchased Company who reside or work in Israel (the "**Israeli Employees**") unless otherwise noted in Section 6.24.4 of the Disclosure Schedule: (i) the employment of each Israeli Employee is subject to termination upon not more than thirty (30) days prior written notice under the termination notice provisions included in the

employment agreement with such Israeli Employee or applicable law; (ii) all obligations of the Purchased Companies to provide statutory severance pay to all Israeli Employees pursuant to the Severance Pay Law (5723-1963) are fully funded or accrued on the applicable Purchased Company's Financial Statements; (iii) no Israeli Employee's employment by a Purchased Company requires any special license, permit or other governmental authorization; (iv) there are no unwritten policies, practices or customs of any Purchased Company that entitle any Israeli Employee to benefits in addition to what such Israeli Employee is entitled to by applicable law or under the terms of such Israeli Employee's employment agreement (including unwritten customs or practices concerning bonuses, the payment of statutory severance pay when it is not required under applicable legal requirements); (v) all amounts that any Purchased Company is legally or contractually required either (x) to deduct from Israeli Employees' salaries or to transfer to such Israeli Employees' managers insurance, pension or provident fund, life insurance, incapacity insurance, education fund or other similar funds or (y) to withhold from their Israeli Employees' salaries and benefits and to pay to any governmental authority as required by the Israeli Code and the National Insurance Law or otherwise, have, in each case, been duly deducted, transferred, withheld and paid, and such Purchased Company is not delinquent in making any such deduction, transfer, withholding or payment; (vi) each Purchased Company is in compliance in all material respects with all applicable law and contracts relating to employment, employment practices, wages, bonuses, pension benefits and other compensation matters and terms and conditions of employment related to Israeli Employees, including but not limited to The Prior Notice to the Employee Law, 2002, The Notice to Employee (Terms of Employment) Law, 2002, the Prevention of Sexual Harassment Law, 1998, the Hours of Work and Rest Law, 1951, the Annual Leave Law, 1951, The Employment by Human Resource Contractors Law, 1996, and the Advance Notice for Dismissal and Resignation Law, 5761-2001; and (vii) except as set forth in Section 6.24.4 of the Disclosure Schedule, no Purchased Company has engaged any consultants, sub-contractors or freelancers. Except for extension orders [tzavei harchava] applying to all employees in the State of Israel, no Purchased Company is subject to, and no employee of any Purchased Company or any of its subsidiaries benefits from, any extension order. The Seller has furnished to the Parent (a) copies of all material agreements with Israeli human resource contractors, or with Israeli consultants, sub-contractors or freelancers; and (b) copies of material manuals and material written policies relating to the employment of Israeli Employees. "Israeli Employee" shall be construed to include consultants, sales agents and other independent contractors who spend (or spent) a majority of their working time in Israel on the business of the Company each of whom shall be so identified in Section 6.24.1 of the Disclosure Schedule.

6.24.5 As of the date hereof, all bonus payments due to any employees or consultants of any Purchased Company, including but not limited to any bonuses related to periods prior to the date hereof as reflected in Section 6.24.1 of the Disclosure Schedule shall have been paid or reflected as a Current Liability in the Reference Balance Sheets.

6.25 **Bank Accounts; Authorized Persons**. Section 6.25 of the Disclosure Schedule sets forth the name of each bank in which each Purchased Company has accounts or safe deposit boxes or standby letters of credit, the identifying numbers or symbols thereof and the names of all persons authorized to draw thereon or to have access thereto.

6.26 **Major Customers; Vendors**.

6.26.1 Section 6.26.1 of the Disclosure Schedule lists the top 25 customers of each Purchased Company, organized by Purchased Company, product and geographic region.

6.26.2 Section 6.26.2 of the Disclosure Schedule lists the top 25 vendors of each Purchased Company, organized by Purchased Company, product and geographic region.

6.27 **Other Information**. To the Knowledge of the Seller, the written information relating to each Purchased Company provided to Purchaser by or on behalf of the Seller prior to the date of this Agreement is in accord with the books and records of such Purchased Company and is accurate and complete and fairly presents the data and other information it purports to present and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements or other information contained therein not misleading. None of this Agreement, the Transaction Documents and the schedules, exhibits and other documents delivered in connection herewith and therewith, when read together as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. As of the date of this Agreement, Seller has no Knowledge of any facts pertaining to any of the Purchased Companies which could have or result in a Material Adverse Effect and which have not been disclosed in this Agreement or the schedules to this Agreement.

7. IGLOO'S REPRESENTATIONS AND WARRANTIES

Except as set forth in the Disclosure Schedule, IGLOO hereby represents and warrants to Purchaser Group as follows:

7.1 **Organization, Authority, Due Execution and Binding Effect**. IGLOO is duly organized, validly existing and in good standing under the laws of the State of Israel and has the requisite power and authority to execute and deliver this Agreement or any Transaction Document to which IGLOO is a party, to consummate the Transaction and to perform its obligations under this Agreement and such Transaction Documents. This Agreement and each Transaction Document to which IGLOO is a party has been duly and validly executed and delivered by IGLOO. Assuming the due authorization, execution and delivery by the other Parties hereto, this Agreement and such Transaction Documents shall constitute, upon such execution and delivery hereof, the valid and binding obligations of IGLOO, enforceable in accordance with their respective terms except as enforcement may be limited by applicable bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or similar laws affecting the enforcement of creditors rights generally and by general principles of equity (regardless of whether enforcement is considered in a proceeding in law or equity).

7.2 **No Conflict**. Neither the execution and delivery of this Agreement by IGLOO, nor the performance by IGLOO of its obligations hereunder shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any law or order to which IGLOO may be subject; (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of IGLOO; or (c) conflict with, result in a breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any right of termination, amendment, acceleration, suspension, revocation or cancellation of, result in

the creation of any Encumbrance (other than a Permitted Encumbrance) pursuant to any Contract to which it is a party or by which LogiaDeck is affected.

7.3 **Authorizations**. The execution, delivery and performance of this Agreement and each Transaction Document to which IGLOO is a party do not and shall not require any third party consent governmental authorization.

7.4 **Ownership; No Encumbrances with Respect to LogiaDeck**. IGLOO owns of record and beneficially all right, title and interest in and to all Intellectual Property and other rights comprising LogiaDeck, free and clear of any Encumbrances, and has good and valid title to LogiaDeck.

7.5 **Securities Laws Matters**. IGLOO is acquiring the Share Consideration for IGLOO's own account and the Share Consideration is being, and will be, acquired by IGLOO for the purpose of investment and not with a view to distribution or resale thereof. IGLOO has no present intention of selling, granting any participation in, or otherwise distributing any portion of the Share Consideration and does not presently have any Contract, undertaking or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Share Consideration. IGLOO acknowledges it is able to bear the economic risk of the Share Consideration, and has such knowledge and experience in financial or business matters that IGLOO is capable of evaluating the merits and risks of the Share Consideration. Without derogating from any of the rights of IGLOO pursuant to the Registration Rights and Lock Up Agreement, IGLOO understands that (i) the Share Consideration has not been, and will not be, registered under the Securities Act, (ii) the securities comprising the Share Consideration are "restricted securities" under applicable U.S. federal and state securities laws and that, pursuant to these laws, IGLOO must hold the Share Consideration indefinitely unless such shares are registered with the Securities and Exchange Commission and qualified by any applicable state authorities, or an exemption from such registration and qualification requirements is available, (iii) Purchaser Group has no obligation to register or qualify the Share Consideration and, if an exemption from registration or qualification is available, it may be conditioned on various requirements including, but not limited to, the time and manner of sale, the holding period for the Share Consideration, and on requirements relating to Purchaser Group which are outside of IGLOO's control, and which Purchaser Group is under no obligation and may not be able to satisfy, (iv) this offering is not intended to be part of a public offering, and that IGLOO will not be able to rely on the protection of Section 11 of the Securities Act and (v) the Share Consideration and any securities issued in respect of or exchange for the Share Consideration shall bear the following legend, as well as any other legends required by state or foreign securities laws:

> "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY FOREIGN OR STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH."

7.6 **Litigation**. There are no Actions by or against IGLOO affecting LogiaDeck, pending or, to the Knowledge of IGLOO, threatened. There are no Actions by or against IGLOO

pending before, or to IGLOO's Knowledge, threatened to be brought by or before, any governmental authority, which would seek to delay or prevent the consummation of the Transaction, or which would result in a Material Adverse Effect on the Transaction.

7.7 **LogiaDeck Material Contracts**.

7.7.1 Section 7.7.1 of the Disclosure Schedule lists each the following written or oral Contracts and agreements (any Contract listed, or required to be listed, on Section 7.7.1 of the Disclosure Schedule, a "**LogiaDeck Material Contract**"):

(a) Each Contract with any seller, reseller, distributor or operator of mobile phone equipment or services to which IGLOO is a party and that relates to LogiaDeck; and

(b) Each Contract related to LogiaDeck;

7.7.2 Each LogiaDeck Material Contract to which IGLOO is a party or to which its assets are bound (i) is valid and binding on IGLOO, as applicable, and, to the Knowledge of IGLOO, on the other parties thereto, and is in full force and effect, and (ii) upon consummation of the Transaction contemplated by this Agreement, shall continue in full force and effect without penalty or other adverse consequence. IGLOO is not, in any material respect, in breach or violation of, or default under, any LogiaDeck Material Contract and, to the Knowledge of IGLOO, no other party to any LogiaDeck Material Contract is, in any material respect, in breach or violation thereof or default thereunder. To the Knowledge of IGLOO, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default under any LogiaDeck Material Contract. IGLOO has delivered to Purchaser Group true and complete copies of each LogiaDeck Material Contract.

7.8 **LogiaDeck Intellectual Property**.

7.8.1 IGLOO owns, is licensed for, or possesses sufficient rights with respect to, its Intellectual Property with respect to LogiaDeck, except for such items as have yet to be conceived or developed or that may reasonably be expected to be available for licensing on reasonable terms from third parties. Without limiting the foregoing, IGLOO owns all right, title and interest to LogiaDeck and all related Intellectual Property, which are sufficient to carry on the business conducted with respect to LogiaDeck as now conducted and proposed to be conducted, and all such rights will be transferred to Purchaser at Closing. To IGLOO's Knowledge, LogiaDeck has not violated or infringed, and is not currently violating or infringing, any Intellectual Property of any other person. There are no pending proceedings or adverse claims made or, to the Knowledge of IGLOO, threatened with respect to LogiaDeck. IGLOO has not received any written communication alleging that LogiaDeck infringes or misappropriates any Intellectual Property Rights of a third party. IGLOO has not brought or threatened any action, suit or proceeding against any third party for any infringement of any Intellectual Property or any breach of any license, sublicense or agreement involving LogiaDeck and is not aware of a bona fide basis for such a proceeding. Section 7.8.1 of the Disclosure Schedule lists (by name, number, jurisdiction and owner) all Intellectual Property owned by IGLOO with respect to or comprising LogiaDeck, all issued Patents, all registered and material

unregistered Marks, all registered Copyrights and all domain name registrations with respect thereto. No cancellation, termination, expiration or abandonment of any of the foregoing (except natural expiration or termination at the end of the full term) is anticipated by IGLOO.

7.8.2 To IGLOO's Knowledge, there are no questions or challenges with respect to the validity of any claims of any of the Intellectual Property with respect to LogiaDeck listed in Section 7.8.1 of the Disclosure Schedule or the validity (or any other aspect or status) of any other Intellectual Property with respect to LogiaDeck.

7.8.3 Section 7.8.3 of the Disclosure Schedule lists: (i) all licenses, sublicenses and other Contracts to which IGLOO is a party or to which LogiaDeck is affected that assign, authorize to use, encumber, or give access to any Intellectual Property related to LogiaDeck to a third party; and (ii) all licenses, sublicenses and other agreements pursuant to which IGLOO has received rights to use any third party Intellectual Property with respect to LogiaDeck (other than off-the-shelf shrink-wrap, click-through or similar licenses for commercially available software, in each case, with no recurring license fee). To the IGLOO's Knowledge, no event or circumstance has occurred or exists (including, without limitation, the authorization, execution or delivery of this Agreement or the consummation of any of the transactions contemplated hereby) that would result in a breach or violation of any license, sublicense or other Contract required to be listed in Section 7.8 of the Disclosure Schedule.

7.8.4 There are (i) no defects in any software included in the Intellectual Property with respect to LogiaDeck that would prevent such software from performing in accordance with its user specifications and (ii) no viruses, worms, Trojan horses or similar programs in any such software, in each case, that would materially impair the performance of such software or otherwise compromise the integrity or security of any data used or accessible by such software. All software related to LogiaDeck operates and performs in all material respects in a manner that permits IGLOO, and will permit Purchaser after Closing, to use and operate LogiaDeck in the manner now used and operated and, to the Knowledge of IGLOO, no person has gained unauthorized access to such software and IGLOO has implemented reasonable backup and disaster recovery technology with respect to LogiaDeck consistent with industry practices.

7.8.5 IGLOO has not granted, directly or indirectly, any current or contingent rights, licenses or interests in or to the source code of any of its products or software related to LogiaDeck and since IGLOO developed the source code of each of its products and software related to LogiaDeck, IGLOO has not provided or disclosed the source code of such products or software to any person. Except as set forth in Section 7.8.5 of the Disclosure Schedule, (i) no Open Source Software is used in, incorporated into or integrated or bundled with LogiaDeck or otherwise used in connection with LogiaDeck and (ii) none of the licenses relating to the Open Source Software listed on Section 7.8.5 of the Disclosure Schedule or any other software code used, modified or distributed with respect to LogiaDeck obligate IGLOO to (1) distribute or disclose any other software combined, distributed or otherwise made commercially available with such Open Source Software in source code form, or (2) license or otherwise make available such Open Source Software and/or other software combined, distributed or otherwise made commercially available with such Open Source Software or any associated Intellectual Property on a royalty free basis.

7.8.6 IGLOO has taken reasonable steps to protect and preserve the confidentiality of all of its Intellectual Property with respect to LogiaDeck to which IGLOO has exclusivity and is not otherwise disclosed in published patents or patent applications or registered copyrights ("**LogiaDeck Confidential Information**"). Each current and former employee and contractor of IGLOO who contributed to the creation or development of any LogiaDeck Confidential Information has executed a written agreement, in substance (i) to retain in confidence the proprietary and confidential information of IGLOO, as applicable, including the LogiaDeck Confidential Information, or (ii) to transfer to IGLOO, as applicable, all of its interests in any LogiaDeck Confidential Information relating to the products or services of LogiaDeck, developed during their work hours for IGLOO. To IGLOO's Knowledge, none of IGLOO's present or former employees, officers or consultants are in violation of any confidentiality, invention assignment or other agreements protecting Intellectual Property, and IGLOO has used commercially reasonable efforts to prevent and detect any such violation.

7.8.7 LogiaDeck does not install Spyware. No claims have been asserted against IGLOO alleging any use of Spyware or any third party marketing LogiaDeck and, to the Knowledge of IGLOO, no such claims are likely to be asserted.

7.8.8 IGLOO has not received or is pending receipt of any grants, incentives or subsidies, or applications therefor from the government of the State of Israel or any agency thereof, or from any foreign governmental or administrative agency, including, but not limited to, grants from the OCS. In no event have any grant funds obtained by Seller been used to finance IGLOO, or any of its assets or operations, including, without limitation, LogiaDeck.,

7.9 **Brokers**. No broker, finder or agent is entitled to any brokerage fees, finder's fees or commissions payable by IGLOO in connection with this Agreement or the Transaction.

7.10 **Other Information**. To the Knowledge of IGLOO, the written information relating to LogiaDeck provided to Purchaser by or on behalf of IGLOO prior to the date of this Agreement is in accord with the books and records of IGLOO and is accurate and complete and fairly presents the data and other information it purports to present and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements or other information contained therein not misleading. None of this Agreement, the Transaction Documents and the schedules, exhibits and other documents delivered in connection herewith and therewith, when read together as a whole, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading. IGLOO has no Knowledge of any facts pertaining to LogiaDeck which could have or result in a Material Adverse Effect and which have not been disclosed in this Agreement or the schedules to this Agreement.

8. PURCHASER GROUP'S REPRESENTATIONS AND WARRANTIES

The Purchaser Group jointly and severally represents and warrants to Seller Group on and as of the Closing Date, as follows:

8.1 **Due Organization of Parent**. The Parent is a company duly organized and validly existing as a limited liability company under the laws of the State of the Delaware, the United States of America.

8.2 **Due Organization of Purchaser**. The Purchaser is a company duly organized and validly existing as a corporation under the laws of the Israel.

8.3 **Power and Authority**. Each of the Purchaser Group has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated in this Agreement.

8.4 **Authorization**. Each of the Purchaser Group has taken all actions required by law, its articles of association or otherwise to authorize the entering into of this Agreement and the consummation of all transactions contemplated hereby.

8.5 **Enforceability**. This Agreement and any documents or instruments executed by each of the Purchaser Group in connection with this Agreement have been duly authorized and constitute binding obligations of, and are enforceable against, the Purchaser Group in accordance with their respective terms.

8.6 **Compliance with Laws**. Neither the execution and delivery of this Agreement by Purchaser Group, nor the performance by Purchaser Group of its obligations hereunder shall, directly or indirectly: (a) contravene, conflict with, or result in (with or without notice or lapse of time) a violation or breach of any law or order to which Purchase Group may be subject; or (b) violate, conflict with or result in the breach of any provision of the Organizational Documents of Purchaser Group.

8.7 **Financing**. Purchaser Group presently has and will have at the Closing, all funds or financing in place necessary to pay and deliver to Seller the Purchase Price as contemplated hereby and fulfil all other obligations hereunder.

8.8 **Legal Proceedings**. There is no proceeding pending or, to the Purchaser's Knowledge, threatened, against the Purchaser that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Transactions contemplated by this Agreement.

9. CONDITIONS PRECEDENT TO THE CLOSING

9.1 **Conditions Precedent to Each Party's Obligations**. The respective obligations of each Party to consummate the Transaction shall be subject to the satisfaction, at or prior to the Closing, of all of the following conditions:

(a) **No Legal Prohibition**. No law or order shall be enacted, promulgated, entered, issued or enforced by any governmental authority that would have the effect of making the Transaction illegal or otherwise restrain or prohibit the consummation of the Transaction.

(b) **No Restraints**. No temporary restraining order, preliminary or permanent injunction or other order preventing the consummation of the Transaction shall have been issued by any governmental authority and shall remain in effect.

9.2 **Conditions Precedent to Obligations of Purchaser Group**. The obligations of Purchaser Group to consummate the Transaction shall be subject to the satisfaction, at or prior to the Closing, of all of the following conditions, any one or more of which may be waived in writing by Parent:

(a) The LogiaDeck Assignment and Transfer Agreement, in the form attached hereto as Exhibit 2.2, shall be executed and delivered by the parties thereto, and LogiaDeck and all related Intellectual Property shall have been transferred to Purchaser free and clear of all Encumbrances;

(b) Cellcom shall have consented to the Transaction under the 2012 Cellcom Agreement, in a manner reasonably acceptable to Purchaser Group;

(c) Delivery of a certificate executed by an officer of the Seller (A) attaching and certifying (i) copies of all minutes or consents of the board and shareholders of Seller required to approve the Transaction and (ii) true and correct copies of the Organizational Documents of the Purchased Companies, (B) listing the names of the officers of the Seller authorized to sign this Agreement and the Transaction Documents, together with the true signatures of such officers and (C) certifying that (i) all representations and warranties of Seller are true and correct in all material respects as of the Closing Date, except where a specific representation relates only to a specific date, in which case it shall be true and correct in all material respects as of that date, (ii) Seller has complied with all covenants on its part to perform on or prior to Closing and (iii) all closing conditions in favour of Seller shall have been satisfied or waived;

(d) Delivery of a certificate executed by an officer of IGLOO (A) attaching and certifying copies of all minutes or consents of the board and shareholders of IGLOO required to approve the Transaction, (B) listing the names of the officers of IGLOO authorized to sign this Agreement and the Transaction Documents, together with the true signatures of such officers and (C) certifying that (i) all representations and warranties of IGLOO are true and correct in all material respects as of the Closing Date, except where a specific representation relates only to a specific date, in which case it shall be true and correct in all material respects as of that date, (ii) IGLOO has complied with all covenants on its part to perform on or prior to Closing and (iii) all closing conditions in favour of IGLOO shall have been satisfied or waived;

(e) Delivery of the Purchased Shares, together with duly executed share transfer deeds signed by the Seller effecting the transfer of the Purchased Shares;

(f) Each Purchased Company shall have (i) registered the transfer of the Purchased Shares to the Purchaser Group (based on the allocation directed by the Purchaser Group) in the Register of Shareholders of such Purchased Company and (ii) notify the Israel Registrar of Companies of the transfer of the Purchased Shares to Purchaser Group;

(g) Delivery of duly executed counterparts to the Escrow Agreement from Seller Group and the Escrow Agent;

(h) Evidence of the payment and release of, the conditional release pursuant to payoff letter in form reasonably satisfactory to Purchaser, or, with the approval of Purchaser, remittance to Purchaser of the amounts necessary to pay, all Indebtedness and Encumbrances listed in Exhibit 9.2(h);

(i) Evidence that the Founders Agreement is terminated;

(j) Evidence that the Intercompany Services Agreements shall have been terminated;

(k) Duly executed resignations (or termination notices) from each director of the Purchased Companies, and each officer or other employee of the Purchased Companies specified by the Purchaser Group (each, a "**Terminated Person**") shall have been delivered to Purchaser until the date hereof;

(l) A Registration Rights and Lock-Up Agreement substantially in the form attached hereto as Exhibit 9.2(1) (the "**Registration Rights and Lock Up Agreement**") shall have been executed by each of Seller and Igloo with respect to the Share Consideration, providing for piggy back registration rights and trading restrictions of twelve months from the date of issuance of each tranche of Share Consideration;

(m) all Consents specified on Exhibit 9.2(m) hereof required in connection with the Transaction shall have been obtained, each in form and substance reasonably acceptable to Purchaser Group;

(n) a General Release in the form attached hereto as Exhibit 9.2(n) shall have been executed and delivered by the Seller Group to Purchaser Group; and

9.3 **Conditions Precedent to Obligations of the Seller Group**. The obligations of the Seller Group to consummate the Transaction shall be subject to the satisfaction, at or prior to the Closing, of all the following conditions, any one or more of which may be waived in writing by the Seller Group:

(a) Parent Group shall have delivered the Closing Share Purchase Consideration in the manner specified in this Agreement;

(b) Parent Group shall have delivered the LogiaDeck Consideration to IGLOO;

(c) Purchaser Group and the Escrow Agent shall have delivered to the Seller a duly executed counterpart to the Escrow Agreement; and

(d) A certificate executed by an officer of the Purchaser Group (A) attaching and certifying as to the true and correct copies of the Organizational Documents of the Purchaser, (B) listing the names of the officers of the Purchaser Group authorized to sign this

Agreement and the Transaction Documents, together with the true signatures of such officers and (C) certifying that (i) all representations and warranties of the Purchaser Group are true and correct in all material respects as of the Closing Date, except where a specific representation relates only to a specific date, in which case it shall be true and correct in all material respects as of that date, (ii) Purchaser Group has complied with all covenants on its part to perform on or prior to Closing and (iii) all closing conditions in favour of Purchaser Group shall have been satisfied or waived.

10. INDEMNIFICATION

10.1 **Survival**. All representations, warranties, covenants, and agreements of the Seller Group and Purchaser Group made in this Agreement (i) shall be deemed to have been relied upon by the Party or Parties to whom they are made, and shall survive the Closing (subject to the immediately following sentence) regardless of any investigation on the part of such Party or its representatives, with each party reserving all of its rights hereunder in connection with any breach or alleged breach, and (ii) shall bind the Parties' successors and assigns (including, without limitation, any successor to any party by way of acquisition, merger or otherwise), whether so expressed or not, and, except as otherwise provided in this Agreement, all such representations, warranties, covenants and agreements shall inure to the benefit of the Parties and their respective successors and permitted assigns, whether so expressed or not. Notwithstanding the foregoing, the representations and warranties of the Seller Group and the Purchaser Group contained in this Agreement shall expire and terminate and be of no further force on the date which is eighteen months following the Closing Date (the "**Survival Date**"), except that the representations and warranties contained in Sections 6.1 (Organization, Authority, Due Execution and Binding Effect), 6.4 (Ownership, Capitalization, No Encumbrances), 6.7(Organization and Qualification), 6.19 (Intellectual Property), 6.21 (Taxes), 7.1 (Organization, Authority, Due Execution and Binding Effect), 7.4 (Ownership, No Encumbrances) and 7.8 (LogiaDeck Intellectual Property) shall survive the Closing in perpetuity (but subject to any applicable statute of limitations),(such representations and warranties, collectively, the "**Fundamental Representations**"). All covenants and other agreements contained in this Agreement shall survive the Closing in perpetuity or until terminated in accordance with their respective terms. No Indemnified Party shall be indemnified and held harmless for any liability for a breach of any representation or warranty (excluding the breach of any Fundamental Representation) unless the applicable Indemnifying Party is given written notice from such Indemnified Party asserting a claim on or before the Survival Date. Notwithstanding anything herein to the contrary, if such written notice has been delivered on or before the Survival Date, then such representation or warranty shall survive as to any claim in such notice until such claim has been finally resolved.

10.2 **Indemnification of Purchaser Indemnified Parties**.

10.2.1 Subject to the limitations set forth in this Section 10, Seller Group hereby jointly and severally agree to indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Losses suffered, sustained or incurred by any Purchaser Indemnified Party, resulting from, arising in connection with or related to (i) any breach of a representation or warranty made by any of the Seller Group contained in this Agreement, any Transaction Document or any certificate or other writing delivered pursuant hereto or thereto

(other than a Fundamental Representation), (ii) any breach of a Fundamental Representation by any of the Seller Group, (iii) any breach of any covenant made by any of the Seller Group in this Agreement or any Transaction Document, (iv) any Pre Closing Liabilities, (v) the Volume Litigation, (vi) any Losses with respect to the OCS related to any actions taken by the Seller, the Purchased Companies or any of their Affiliates prior to the Closing, (vi) any Liabilities related to the termination of the Terminated Persons, regardless of when such Liabilities are payable or (vii) any Transaction Expenses that were not either paid by the Seller Group at or prior to the Closing or set forth on the Estimated Closing Certificate.

10.2.2 If any Purchaser Indemnified Party becomes entitled to any indemnification under this Agreement, the amount that such Purchaser Indemnified Party is entitled to recover in connection therewith shall nevertheless be limited as follows:

(i) first, no Losses in respect of indemnity claims under Section 10.2.1 (i) shall be payable until the total of all such Losses exceeds Fifty Thousand Dollars (U.S. $50,000) (the "**Deductible**"), and then recovery shall be permitted hereunder only for all Losses in excess of the Deductible;

(ii) second, while the application of the working capital adjustment pursuant to Section 4.7 shall not limit, impair or mitigate any party's rights to bring any claims for indemnification hereunder, the Purchaser Indemnified Parties shall not be entitled to recover twice for the same Losses under this Section; and

(iii) third, in the case of indemnity claims under Section 10.2.1(i) the maximum aggregate liability of the Seller Group shall be U.S. $750,000; provided that in no event shall the maximum aggregate liability for indemnity claims liability, other than any claims under Section 10.2.1(vi), exceed the Purchase Price.

10.2.3 In addition to the indemnification obligations provided in Section 10.2.1, the Seller Group shall jointly and severally indemnify the Purchaser Indemnified Parties as provided in this Section. Notwithstanding anything herein to the contrary, none of the limitations set forth in Section 10.2.2 shall apply to any of the indemnification obligations under this Section 10.2.3. If Requisite Consents or Renewals have not been obtained with respect to all of the Designated Contracts on or before the expiration of thirty six (36) months from the Closing Date, the Purchaser Group shall be entitled to recover liquidated damages by cancelling one-third of the number of shares comprising the Share Consideration deposited in the Escrow Fund at Closing. All other Share Consideration held in the Escrow Fund and not subject to any other indemnity claim shall thereafter be promptly be released to the Seller Group. If at any time prior to the expiration of thirty six (36) months from the Closing Date the aggregate number of shares comprising the Share Consideration in the Escrow Fund shall be less than one third of the number of shares deposited at Closing, Purchaser Group shall be entitled to deposit with the Escrow Agent out of any Contingent Share Purchase Consideration payable hereunder a portion of the Contingent Share Purchase Consideration comprised of shares sufficient to cause the total number of shares comprising the Share Consideration held in the Escrow Fund to be equal one third of the number of shares deposited at Closing. For purposes of this Section, the Designated Contracts are set forth on Exhibit 10.2.3.

10.3 **Indemnification of the Seller Indemnified Parties**.

10.3.1 Subject to the limitations set forth in this Section 10, Purchaser Group hereby agrees to indemnify and hold harmless the Seller Indemnified Parties from and against any and all Losses suffered, sustained or incurred by any Seller Indemnified Party, resulting from, arising in connection with or related to (i) any breach of a representation or warranty made by Purchaser Group contained in this Agreement, any Transaction Document or any certificate or other writing delivered pursuant hereto or thereto, (ii) any breach of any covenant made by Purchaser Group in this Agreement or any Transaction Document or (iii) any Post Closing Liabilities.

10.3.2 If any Seller Indemnified Party becomes potentially entitled to any indemnification, the amount that such Seller Indemnified Party is entitled to recover in connection therewith shall nevertheless be limited as follows:

(i) first, no Losses in respect of indemnity claims under Section 10.3.1 (i) shall be payable until the total of all such Losses exceeds the Deductible, and then recovery shall be permitted hereunder only for all Losses in excess of the Deductible;

(ii) second, while the application of the working capital adjustment pursuant to Section 4.7 shall not limit, impair or mitigate any party's rights to bring any claims for indemnification hereunder, the Seller Indemnified Parties party shall not be entitled to recover twice for the same Losses under this Section; and

(iii) third, the maximum aggregate liability of Purchaser Group in the case of indemnity claims under Section 10.3.1 (i) shall be $750,000; provided that in no event shall the maximum aggregate liability for indemnity claims liability exceed the Purchase Price.

10.4 **Indemnification Procedures**.

10.4.1 An Indemnified Party may make claims for indemnification hereunder by giving written notice thereof to the Indemnifying Party within the period in which such indemnification claim can be made hereunder. In the event that an indemnification claim involves a Third Party Claim against such Indemnified Party, the Indemnified Party shall give prompt written notice thereof together with a statement of any available information regarding such Third Party Claim to the Indemnifying Party; provided that no delay on the part of the Indemnified Party in giving any such notice shall relieve the Indemnifying Party of any indemnification obligation hereunder except to the extent that the Indemnifying Party is materially prejudiced by such delay. Such written notice shall describe in reasonable detail the facts constituting the basis for such Third Party Claim and the amount of the potential Losses, in each case to the extent known. If the Indemnifying Party acknowledges in writing its obligation to fully indemnify the Indemnified Party against any and all Losses that may result from a Third Party Claim, the Indemnifying Party shall have the right upon written notice to the Indemnified Party within fifteen (15) days after receipt from the Indemnified Party of notice of such claim (or less if the nature of the asserted liability requires (e.g., if an answer is due with respect to a formal complaint)), to assume and conduct at its expense the defense against such Third Party

Claim through the counsel of its choice (such counsel to be reasonably acceptable to the Indemnified Party); provided, the Indemnifying Party shall not be entitled to assume or maintain control of the defence of any Third Party Claim if such Third Party Claim relates to or arises in connection with any criminal proceeding, indictment, allegation or investigation. If the Indemnifying Party elects not to assume control within such fifteen (15) day period, or fails to diligently prosecute or defend such Third Party Claim, the Indemnified Party shall retain or assume control of such Third Party Claim at the expense of the Indemnifying Party. The Party not controlling such Third Party Claim shall cooperate with and make available to the controlling Party such assistance and materials as may be reasonably requested by it (including copies of any summons, complaint or other pleading which may have been served on such Party and any written claim, demand, invoice, billing or other document evidencing or asserting the same), and shall have the right at its expense to participate in the defence assisted by counsel of its own choosing; provided, that the Indemnifying Party shall pay the reasonable fees and expenses of any separate counsel to the Indemnified Party (A) incurred by the Indemnified Party prior to the date the Indemnifying Party assumes control of the defence of the Proceeding or (B) if representation of both the Indemnifying Party and the Indemnified Party by the same counsel would create an actual or potential conflict of interest, but the Indemnifying Party shall not be obligated to pay the fees and expenses of more than one counsel for the Indemnified Party unless additional local counsel or specialized counsel is necessary as determined in good faith by the Indemnifying Party. The Party controlling such Third Party Claim shall keep the non-controlling Party reasonably advised of the status of such Third Party Claim and shall consider in good faith recommendations made by the non-controlling Party with respect thereto.

10.4.2 The Indemnified Party shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Claim without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld, conditioned or delayed. If the Indemnifying Party assumes the defence of any Third Party Claim, the Indemnifying Party shall not, without the prior written consent of the Indemnified Party, enter into any settlement or compromise or consent to the entry of any judgment with respect to such Third Party Claim if such settlement, compromise or judgment (i) involves a finding or admission of wrongdoing by the Indemnified Party, (ii) does not include an unconditional written release by the claimant or plaintiff of the Indemnified Party from all liability in respect of such Third Party Claim or (iii) imposes equitable remedies or any obligation on the Indemnified Party other than solely the payment of money damages for which the Indemnified Party will be fully indemnified hereunder. If an offer is made to settle a Third Party Claim, which offer the Indemnifying Party is permitted to settle under this Section only upon the prior written consent of the Indemnified Party, and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give prompt written notice to the Indemnified Party to that effect. Notwithstanding the foregoing, in the event of a Loss relating to a Tax Contest, to the extent that this Section 10 is inconsistent with Section 11.3, the provisions of Section 11.3 shall govern.

10.5 **Set-Off**. Notwithstanding anything to the contrary contained in this Agreement, if the Purchaser Group has made, in good faith, any indemnification claim or claims that are reasonably likely to exceed the amount remaining in the Escrow Fund, Purchaser Group shall not be obligated to make any payment pursuant to Section 4.2 to Seller for the amount by which such indemnification claim or claims are reasonably expected by Purchaser Group to exceed the

amount remaining in the Escrow Fund (the "**Set-off Amount**") and instead Purchaser Group shall withhold the Set-off Amount until the indemnification claim is resolved.

10.6 **Treatment of Indemnification Claims**. All indemnification payments made under this Agreement shall be treated by all parties as an adjustment to the Purchase Price.

10.7 **Calculation of Losses**.

10.7.1 The Seller Group agrees that if, following the Closing, any claim is made against Seller Group by a Purchaser Indemnified Party in respect of any Losses (a "**Loss Payment**"), Seller Group shall not have any rights against Purchaser Group or any of the Purchased Companies, by reason of subrogation in respect of any such Loss Payment.

10.7.2 All Losses shall be determined net of any available insurance proceeds but shall include the amount of any increased premiums which are the direct result of the Losses.

10.7.3 Notwithstanding anything in this Agreement to the contrary, for purposes of the parties' indemnification obligations, all of the representations and warranties set forth in this Agreement that are qualified as to "material," "materiality," "material respects," "Material Adverse Effect" or words of similar import or effect or exception related thereto shall be deemed to have been made without any such qualification or exception for purposes of determining the amount of Losses resulting from, arising out of or relating to any such breach of representation or warranty.

10.7.4 Neither Seller Group nor Purchaser Group shall be liable to the other under this Agreement in respect of any action, fact or event and any Loss arising therefrom to the extent that the same occurred as a consequence of the passing of, or any change in, after the Closing Date hereof, any law or regulation or any administrative practice of any public authority, including any increase in the Tax rates or any imposition of taxation or any withdrawal of relief from taxation or any changes in social insurance contribution or any change after the Closing Date of any generally accepted interpretation or application of any legislation.

10.8 **Exclusion of Other Remedies**. This Section 10 and Section 11.3 constitute the sole and exclusive remedies from and after the Closing for recovery of Losses arising out of or relating to this Agreement, except (i) with respect to fraud or intentional misrepresentation, (ii) determination of the Closing Date Net Working Capital Amount, which shall be governed by Section 4.7, and (iii) determining any Contingent Share Purchase Consideration, which shall be governed by Section 4.2 and (iii) nothing herein shall restrict the ability of Purchaser Group to seek other non-monetary remedies, including, without limitation, specific performance or injunctive relief, against Seller Group in respect of a breach by Seller Group of the covenants set forth in Section 11.1 or Section 11.2.

10.9 **Representations and Warranties**. The Parties acknowledge and agree that each is relying only on the representations and warranties of the other Parties set forth in this Agreement and the Transaction Documents, and no Party shall be entitled to rely on, or seek indemnification for, any other representation or warranty not set forth in this Agreement or the other Transaction Documents.

11. COVENANTS

11.1 **Confidential Information**.

(a) Any information obtained by any Party to this Agreement (i) in terms of, or arising from the implementation of, this Agreement and any other Transaction Document, including its terms and conditions, (ii) relating to the Business of the Purchased Companies, (iii) related to LogiaDeck or (iv) relating to the business, products, affairs, performance and finances of the Parties for the time being confidential to any of the foregoing or treated by any of the foregoing as such and all inventions (whether patentable or not), invention disclosures and improvements, all trade secrets, proprietary or confidential information, data, know-how and technology relating to the business of any of the foregoing and/or of any of their respective suppliers, clients and/or customers ("**Confidential Information**"), shall be treated as confidential by the Parties and shall not be divulged or permitted to be divulged to any person not being a party to this Agreement, without prior written consent by the other Parties.

(b) Confidential Information shall not include information, which (i) at the point in time it became known to the receiving party, was available to the general public, or which, after that point in time, became known to the general public by no fault of, especially no breach of this Agreement by, the receiving party and those persons for whom the receiving party is responsible; (ii) at the time of its disclosure by a party, was already known to and/or in the possession of the receiving party and was not acquired, directly or indirectly, from the disclosing party; (iii) the receiving party is by regulation and/or rules of a stock exchange required to disclose to any person and/or governmental authority; or (iv) subsequent to disclosure, is once more disclosed to the receiving party by a third party not under an obligation of secrecy to any of the parties with respect thereto. In each case the burden of proof on all of the above circumstances shall rest with the party making the allegation that the confidentiality provisions hereof are not applicable.

(c) A Party shall be entitled to make Confidential Information available to its officers, employees and advisors involved in the negotiation and/or implementation of this Agreement; subject in each case to such persons being subject to a confidentiality obligation that imposes at least the same level of confidentiality required under this Section. If a Party become legally compelled to make any disclosure that is prohibited or otherwise restricted by this Section 11.1, then such party will (i) give the other Party immediate written notice of such requirement, (ii) consult with and assist the other Party in obtaining an injunction or other appropriate remedy to prevent such disclosure and (iii) use its commercially reasonable efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to any information so disclosed. Subject to the previous sentence, the disclosing party may make only such disclosure that, in the written opinion of its counsel, it is legally compelled or otherwise required to make to avoid standing liable for contempt or suffering other material penalty.

(d) No party may issue any press release or make any public statement or other communication of any kind about the matters in this Agreement or any document referred to in it unless it is agreed in writing by the other Parties; provided, however, that Parent

may issue such press releases as it believes are necessary or appropriate to comply with regulation and/or rules of a stock exchange and/or governmental authority.

(e) This Section 11.1 shall remain valid indefinitely.

11.2 **Non-Competition; Non-Solicitation**.

11.2.1 Seller Group covenants and agrees that during the period beginning on the Closing Date and ending on the fourth (4th) anniversary of the Closing Date (the "**Restricted Period**"), the Seller Group shall not, directly or indirectly, whether through any of their Subsidiaries or otherwise:

(a) engage anywhere in the world, either directly or indirectly, as a principal or for its own account, or solely or jointly with others, or as an equityholder in any corporation or joint stock association or other entity, in any business that directly competes with the Business or LogiaDeck; or

(b) solicit the employment services of any person employed during the Restricted Period by the Purchased Companies; or

(c) call upon, solicit, divert, take away or otherwise interfere with any of the customers or prospective customers, or any of the suppliers, of the Purchased Companies, Purchaser Group or any of their respective Affiliates.

11.2.2 Seller Group acknowledges and agrees that the restrictions contained in this Section 11.2 are a reasonable and necessary protection of the immediate interests of the Purchased Companies and Purchaser Group, and that Purchaser Group would not have entered into this Agreement without receiving the consideration offered by Seller in binding Seller Group to these restrictions. If any provision contained in this Section 11.2 shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Section 11.2, but this Section 11.2 shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. It is the intention of the Parties that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time that is not permitted by applicable law, or in any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would be valid or enforceable under applicable law, a court of competent jurisdiction shall construe and interpret or reform this Section 11.2 to provide for a covenant having the maximum enforceable geographic area, time period and other provisions (not greater than those contained herein) as shall be valid and enforceable under such applicable law. Seller Group acknowledges that Purchaser Group would be irreparably harmed by any breach of this Section 11.2 and that there would be no adequate remedy at law or in damages to compensate Purchaser Group for any such breach. Seller Group agrees that, in the event of a breach or threatened breach of this Section 11.2, Purchaser Group shall be entitled to injunctive relief requiring specific performance by Seller Group, without the necessity of proving the inadequacy as a remedy of money damages or the posting of a bond, and Seller Group consents to the entry thereof; provided, however, that the right to injunctive relief will not be construed as prohibiting Purchaser Group or the Purchased

Companies from pursuing any other available remedies, whether at law or in equity, for such breach or threatened breach.

11.2.3 **Affirmative Covenants of the Seller**. Prior to the Closing, unless the Purchaser otherwise agrees in writing, the Seller will cause each of the Purchased Companies to:

(a) conduct its business and operations only in the ordinary course of business, consistent with past practice, and preserve intact its business organizations and goodwill, keep available the services of its officers and employees consistent with past practice and maintain its respective relationships with those persons having business relationships with such Purchased Company;

(b) maintain its books, accounts, and records in accordance with past custom and practice;

(c) continue to collect accounts receivable and pay accounts payable using normal procedures, consistent with past practice, and without discounting or accelerating the collection of, or decelerating the payment of, such accounts;

(d) comply in all material respects with all applicable laws;

(e) promptly inform the Purchaser Group in writing of any material variances from the representations and warranties of Seller contained in this Agreement or any breach of any covenant hereunder by the Seller (provided, that the such notification shall not in any way limit Purchaser Group’s remedies for any breach of a representation, warranty or covenant); and

(f) cooperate with the Purchaser Group and use commercially reasonable efforts to cause the conditions to the Purchaser Group’s obligation to close to be satisfied.

11.2.4 **Negative Covenants of the Seller**. Prior to the Closing, unless the Purchaser otherwise agrees in writing and except as expressly contemplated by this Agreement, the Seller will not permit any of the Purchased Companies to:

(a) sell, lease, assign, license or transfer any of its assets having a value in excess of NIS 35,000, individually, or NIS 70,000 in the aggregate (or any portion thereof) or any Intellectual Property (other than non-exclusive licenses granted in the ordinary course of business) or mortgage, pledge or subject any of the foregoing to any Encumbrance (other than a Permitted Encumbrance), (ii) acquire the assets of any other person (including any merger, consolidation or similar transaction), other than in the ordinary course of business, consistent with past practice;

(b) create, incur, assume or guarantee any Indebtedness or make any loans or advances to any person (except for advances to employees or officers of such Purchased Company for expenses incurred in the ordinary course of business consistent with past practice);

(c) enter into any transaction with any officer, director, Seller, or any Affiliate of the Seller or (ii) make, grant or promise any bonus, any increase in any employee's or officer's compensation or any other change in employment, severance, consulting or benefit terms for any employee, consultant, officer or director of any of the Purchased Companies, (iii) make any change in the management structure of any of the Purchased Companies (including hiring additional management level employees or officers or the termination of existing management level employees or officers) or (iv) make or grant any increase in any employee benefits;

(d) enter into any Contract or transaction, other than in the ordinary course of business consistent with past practice with unaffiliated third parties, or (ii) enter into, materially modify or terminate any Contract;

(e) amend or authorize an amendment to any Organizational Document of any of the Purchased Companies;

(f) issue or sell any of shares or other equity interests of any of the Purchased Companies, securities convertible into shares or other equity securities or any options, warrants or other rights to purchase shares or other equity securities or declare, pay, set aside, make or pay any distribution or effectuate any redemptions, equity repurchases, or other transactions involving the shares or any other equity securities of the Purchased Companies;

(g) make, revoke, or change any tax election or method of tax accounting or procedure, file any amended Tax Return (unless required by law), enter into any closing agreement relating to any Taxes, settle or compromise any liability with respect to Taxes, or consent to any extension or waiver of the statute of limitations for any such claim or assessment, other than in the ordinary course of business consistent with past practice;

(h) enter into any agreement, or otherwise become obligated, to take any action prohibited under this Section.

11.3 **Covenants Related to Taxes**

11.3.1 Seller shall be liable for and shall indemnify and defend Purchaser Indemnified Parties against all Losses for (i) Taxes of the Purchased Companies (including, without limitation, Taxes attributable to any of the Purchased Company's assets or employees) imposed on, allocated to, incurred or suffered by the Purchaser Indemnified Parties that are attributable to any period prior to Closing, (ii) any and all Taxes of any other person imposed on any of the Purchased Companies as a transferee or successor, by Contract or pursuant to any law, which Taxes relate to an event or transaction occurring before the Closing and (iii) any and all payroll Taxes, in each of the above cases, except to the extent such Taxes were included in the calculation of Closing Date Net Working Capital Amount.

11.3.2 In the case of any Straddle Period, the amount of any Taxes (other than property or ad valorem Taxes) for the portion of such Straddle Period ending on the Closing Date shall be determined based on an interim closing of the books as of the close of business on the Closing Date. In the case of any property or ad valorem Taxes that are payable for a Straddle Period, the portion of such Tax which relates to the portion of such Straddle Period ending on the

Closing Date shall be deemed to be the amount of such Tax for the entire Straddle Period multiplied by a fraction, the numerator of which is the number of days in the Straddle Period ending on the Closing Date and the denominator of which is the number of days in the entire Straddle Period.

11.3.3 The Purchaser Group shall control and be responsible for the preparation and filing of (i) all Tax Returns required to be filed with respect to the Purchased Companies after the Closing Date and (ii) all income Tax Returns filed on or after the Closing Date that relate to periods ending on or before the Closing Date. All such Tax Returns shall be completed in accordance with applicable law and past practice to the extent permitted by applicable law. The Purchaser Group shall provide copies of any Tax Returns referred to in clause (ii) above to the Seller for its review and comment at least fifteen (15) days prior to filing; provided the Seller shall make all payments to the Israeli Tax Authorities required with respect to any such Tax Return. If either the Seller or Purchaser Group is liable for any Taxes to be paid by the other Party pursuant to this Section 11.3 with respect to any Tax Return, prompt reimbursement by the other Party shall be made.

11.3.4 Purchaser shall control the conduct of any Tax Contest, including determining actions taken to pay, compromise or settle such Taxes relating to income Tax Returns of the Purchased Companies for any periods prior to the Closing. Seller shall bear reasonable costs in connection therewith. To the extent not inconsistent with the provisions of this Section 11.3, the provisions of Section 10 shall apply in the case of any claim for Losses related to Taxes; provided, that none of the limitations set forth in Section 10 shall apply to the indemnification provisions set forth in this Section 11.3.

11.3.5 Each of Purchaser Group and Seller shall: (a) provide assistance to the other Party or Parties as reasonably requested in preparing and filing Tax Returns and responding to Tax audits or Tax authority disputes; (b) make available to the other Party or Parties as reasonably requested all information, records, and documents relating to Taxes concerning the Purchased Companies (including copies of Tax Returns); and (c) retain any books and records that could reasonably be expected to be necessary or useful in connection with any preparation by any the other Party or Parties of any Tax Return, or for any audit, examination, or proceeding relating to Taxes. Prior to filing any Tax Return that is attributable to the Straddle Period, Purchaser Group shall provide to Seller copies of all Tax Return Purchaser Group proposes to file and shall give Seller a reasonable opportunity to review and comment on the same.

11.4 **Transfer of LogiaDeck**. IGLOO shall, concurrently with the Closing, transfer good and marketable title to LogiaDeck and all related Intellectual Property to Purchaser pursuant to the terms of the LogiaDeck Assignment and Transfer Agreement in the form attached hereto as Exhibit 2.2

11.5 **Transfer of Key Assets and Contracts not held by the Purchased Companies**. The Seller Group shall assign and transfer or cause to be assigned and transferred to the Purchaser all rights related to Key Assets and Contracts held by the Seller Group or any Affiliated (other than the Purchased Companies) as of the Closing Date, on terms and conditions reasonably acceptable to Purchaser Group

11.6 **Use of Logia Name**. Within thirty days following the Closing, Seller shall, and shall cause each of its Affiliates, to cease using the name "Logia" as part of their corporate names, trade names or for any other purpose.

11.7 **Certain Covenants With Respect to Contracts**.

11.7.1 If any Contract is not capable of being assigned, transferred or conveyed without first obtaining any approval, consent or waiver of any party to such Contract, or if the consummation of the Transaction would otherwise constitute a breach thereof or permit any party thereto to terminate the Contract or modify the Contract in any material manner, Seller shall use its best efforts to obtain all requisite Consents with respect to such Contract, in form and substance reasonably satisfactory to the Purchaser Group (each, a "**Requisite Consent**") as soon as practicable so as assign and convey such Contracts to Purchaser or to otherwise enable the Purchaser and the Purchased Companies to enjoy the benefits under such Contracts, free of any such default, termination or other rights that may arise as a result of the consummation of the Transaction.

11.7.2 To the extent that any Requisite Consent with respect to any Contract has not been obtained by the Closing, Seller Group shall, if requested by Purchaser Group, during the remaining term of such Contract use its best efforts to (i) obtain the Requisite Consent with respect to each such Contract, (ii) cooperate with Purchaser Group in any reasonable and lawful arrangements designed to provide the benefits of each such Contract to Purchaser; and (iii) enforce, at the request of Purchaser Group, any rights of Seller Group arising from each such Contract against each other party thereto (including the right to elect to terminate any such Contract in accordance with the terms thereof upon the direction of Purchaser Group.

11.8 Sales and Transfer Taxes. IGLOO shall be responsible for the payment of any and all sales, transfer and similar Taxes related to the assignment and transfer of LogiaDeck and related Intellectual Property to Purchaser.

11.9 **Release of Guarantees**. Purchaser Group shall use commercially reasonable efforts to release, and if necessary or appropriate, replace, those certain guarantees described on Exhibit 11.9 hereto related to deposit accounts maintained by one or more of the Purchased Companies, promptly following the Closing. Purchaser Group shall use commercially reasonable efforts to release, or replace, any other comparable guarantees (if and to the extent any exist) extended by the Seller or its shareholders with respect to any other deposit accounts of the Purchased Companies.

12. TERMINATION

12.1 **Termination**. This Agreement may be terminated by written notice of termination at any time before the Closing Date only as follows:

(i) by mutual written consent of Purchaser and Seller; or

(ii) by Purchaser or Seller, if the Closing shall not have occurred within ninety days of the date of this Agreement (or by such later date as shall be mutually agreed to by Purchaser and the Seller in writing), so long as the terminating party is not

then in material breach of any of its representations, warranties, covenants or agreements contained in this Agreement; or

(iii) by Purchaser or Seller, if any court of competent jurisdiction or governmental authority shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions provided hereunder and such order, decree, ruling or other action shall have become final and nonappealable; or

(iv) by Seller, in the event of a breach in any material respect by Purchaser of any representation, warranty, covenant or agreement contained in this Agreement which (i) cannot or has not been cured within fifteen (15) days after the giving of written notice of such breach to Purchaser and has not been waived by Seller pursuant to the provisions hereof and (ii) would cause the closing conditions in favor of Seller not to be satisfied; or

(v) by Purchaser, in the event of a breach in any material respect by Seller of any representation, warranty, covenant or agreement contained in this Agreement which (i) cannot or has not been cured prior to fifteen (15) days after the giving of written notice of such breach to Seller and has not been waived by Purchaser pursuant to the provisions hereof and (ii) would cause the conditions in favor of Purchaser not to be satisfied.

12.2 **Remedies for Breach of Agreement Prior to Closing**. Termination of this Agreement by either Party shall be without prejudice to any rights or remedies of the Parties.

13. MISCELLANEOUS

13.1 **Waiver**. The failure of any Party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of any right hereunder, nor shall it deprive that Party of the right thereafter to insist upon the strict adherence to that term or any other terms of this Agreement.

13.2 **Assignment**. No Party may assign, delegate, sub-contract or otherwise transfer or pledge or grant any other security interest in or over any of its rights or obligations under this Agreement.

13.3 **Costs**. The Seller Group and the Purchaser Group will each bear its own fees and expenses, including but not limited to legal fees and expenses, incurred in connection with the negotiations, preparation and execution of this Agreement and the transactions contemplated hereby.

13.4 **Arrears**. Any past due sum under this Agreement shall bear an interest of 1% per month, as of the last date designated for such payment and until the actual disbursement thereof.

13.5 **Severability**. If any provision of this Agreement shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction or arbitrator selected under this Agreement, such invalidity, illegality or unenforceability shall not affect any other provision hereof or the application of such provision to any other persons or circumstances.

13.6 **No Agreement to the benefit of Third Parties**. No provision or representation contained in this Agreement shall be deemed as to grant or impart any right or create any obligation towards any third party.

13.7 **Counterparts**. This Agreement may be executed in counterparts, all of which together shall constitute one and the same Agreement.

13.8 **Previous Agreements**. All agreements prior to the date of this Agreement between the Parties regarding the subject matter hereof, whether written or oral, have been superseded by this Agreement, including the Summary of Proposed Terms dated April 19th, 2012 and the Mutual Non-Disclosure Agreement dated February 16th, 2012.

13.9 **Amendments**. No modifications, amendments or alterations of this Agreement may be made except in writing, signed by all parties hereto and designated as an amendment.

13.10 **Notices**. Any notice, request or other communication with respect to this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, sent by reputable international overnight courier or e-mail (with return or delivery receipt obtained) to the Parties at the respective addresses set out in the introduction to this Agreement, or to such other addresses that a Party specifies in writing to the other Parties. All communication between the Parties shall be in English.

13.11 **Governing Law and dispute resolution**.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of California, United States of America, without giving rise to its provisions regarding choice of laws.

(b) Except for claims for injunctive relief, which may be sought from any court having jurisdiction (whether US, Israeli or other), any claim arising out of or relating to this Agreement, including without limitation its validity, interpretation, enforceability or breach, and any related tort law theories, which are not settled by agreement between the parties, shall (a) first be submitted to good faith mediation between parties' counsels and (b) if mediation does not produce an agreed solution within 30 days after notice of claim is first given, then either party may submit the dispute to arbitration.

(c) Any and all disputes, controversies or differences in opinion shall be finally resolved through arbitration in accordance with the arbitration rules and procedures of the American Arbitration Association, by one (1) arbitrator appointed in accordance with the said rules. Such proceedings shall take place in Los Angeles, California and shall be conducted in the English language. Except as provided herein, each party agrees that such arbitration is its exclusive remedy and expressly waives any right to seek redress in any other forum.

(d) The fees of any mediator or arbitrator shall be borne equally by each party until the conclusion of any arbitration. The non prevailing party in any arbitration shall reimburse the prevailing party for its reasonable attorneys, accountants and expert fees and related expenses and for the costs of the arbitration and mediation proceeding (including the fees of the mediator and arbitrator), unless the arbitrator finds that the prevailing party did not make a

good faith effort to resolve the matter through mediation, in which case each party shall bear its own such expenses. The parties hereby agree to use their best efforts to keep all matters relating to any dispute confidential.

(e) Each of the Parties submits to the exclusive jurisdiction of the state or federal courts located in Los Angeles, California, in any action or proceeding arising out of, or relating to, this Agreement, agrees that all claims in respect of the action or proceeding may be heard and determined in any such court and agrees not to bring any action or proceeding arising out of, or relating to, this Agreement in any other court. Each of the Parties waives any defence of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other Party with respect thereto. Each Party agrees that service of summons and complaint or any other process that might be served in any action or proceeding may be made on such Party by sending or delivering a copy of the process to the Party to be served at the address of the Party and in the manner provided for the giving of notices in Section 13.10. Nothing in this Section, however, shall affect the right of any Party to serve legal process in any other manner permitted by law or to enforce any arbitral award or judgment in any court of competent jurisdiction. Each Party agrees that a final judgment in any action so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law.

13.12 **Public Announcements**. The Parties shall not issue or cause the publication of any press release or other public announcement with respect to this Agreement or the Transaction, except that the Purchaser Group, on the one hand, and the Seller Group, on the other hand, may issue a joint press release if mutually agreed; provided, however, that nothing herein shall prohibit any Party from issuing or causing publication of any such press release or public announcement to the extent that such Party determines such action to be required by law, applicable regulation or stock exchange rule, in which case the Party making such determination shall, if practicable in the circumstances, use reasonable efforts to allow the other Parties reasonable time to comment on such release or announcement in advance of its issuance.

13.13 **Purchaser Group – Joint and Several Obligations**. The obligations of Parent and Purchaser under this Agreement in favour of Seller Group are joint and several obligations of each of them.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

Seller Group:

Logia Group Ltd.

By: /s/ Kobi Marenko

Name: Kobi Marenko

Title: CEO

S.M.B.P. IGLOO Ltd.

By: /s/ Kobi Marenko

Name: Kobi Marenko

Title: CEO

Purchaser Group:

Mandalay Digital Group, Inc.

By: /s/ Peter Adderton

Name: Peter Adderton

Title: CEO

MDG Logia Holdings LTD

By: /s/ Peter Adderton

Name: Peter Adderton

Title: CEO

Execution Version

FIRST AMENDMENT
TO PURCHASE AGREEMENT

This **FIRST AMENDMENT TO PURCHASE AGREEMENT** (this "***Amendment***") dated as of September 13, 2012 (the "***Effective Date***"), is entered into by and among Mandalay Digital Group, Inc. and M.D.G. Logia Holdings, Ltd. (collectively, the "***Purchaser Group***"), and LOGIADECK Ltd. (formerly known as S.M.B.P. IGLOO Ltd.) and Logia Group Ltd. (collectively, the "***Seller Group***"). All capitalized terms not otherwise defined in this Amendment have the meaning ascribed to them in the Purchase Agreement (as defined below).

RECITALS

WHEREAS, Purchaser Group and Seller Group are parties to that certain Purchase Agreement, dated as of August 11, 2012 (the "***Purchase Agreement***"), pursuant to which the Seller Group agreed to sell to Purchaser Group, and Purchaser Group agreed to purchase from Seller Group, Logia Content Development and Management Ltd., Volas Entertainment Ltd., Mail Bit Logia (2008) Ltd. and the assets comprising LogiaDeck;

WHEREAS, S.M.B.P. IGLOO Ltd. has changed its name from S.M.B.P. IGLOO Ltd. to LOGIADECK Ltd. with no modification of its responsibilities under the Purchase Agreement; and

WHEREAS, Purchaser Group and Seller Group desire to amend the Purchase Agreement to reflect the change in S.M.B.P. IGLOO Ltd.'s name.

NOW, THEREFORE, in consideration of the foregoing, the mutual promises of the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the Purchaser Group and Seller Group hereby amend the Purchase Agreement as follows:

1. Effective as of the Effective Date, all references in the Purchase Agreement to "S.M.B.P. IGLOO Ltd." are hereby deleted and replaced with "LOGIADECK Ltd."

2. Except as expressly amended hereby, the Purchase Agreement shall remain in full force and effect and the Purchase Agreement, as amended by this Amendment, is hereby ratified and confirmed in all respects.

3. This Amendment may be executed in one or more counterparts, all of which, when taken together, shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopier or electronic delivery in PDF format shall be as effective as delivery of a manually executed counterpart of this Amendment and shall be sufficient to bind the Parties to the terms and conditions hereof.

IN WITNESS WHEREOF, the parties have caused this Amendment to the Purchase Agreement to be duly executed as of the date first written above.

SELLER GROUP:

Logia Group Ltd.

By: /s/ Kobi Marenko

Name: Kobi Marenko

Title: CEO

LOGIADECK Ltd.
(f/k/a S.M.B.P. IGLOO Ltd.)

By: /s/ Kobi Marenko

Name: Kobi Marenko

Title: CEO

PURCHASER GROUP:

Mandalay Digital Group, Inc.

By: /s/ Peter Adderton

Name: Peter Adderton

Title: CEO

M.D.G. Logia Holdings, Ltd.

By: /s/ Peter Adderton

Name: Peter Adderton

Title: CEO

Exhibit 10.2

EXECUTION VERSION

REGISTRATION RIGHTS & LOCK UP AGREEMENT

This **REGISTRATION RIGHTS & LOCK UP AGREEMENT** (this "***Agreement***"), dated as of September 13, 2012, is made and entered into by and between Mandalay Digital Group, Inc., a Delaware corporation ("***Parent***") and M.D.G. Logia Holdings, Ltd., a wholly-owned subsidiary of Parent and a company duly incorporated under the laws of the State of Israel (collectively, the "***Purchaser Group***"), and Logia Group Ltd., a company duly incorporated under the laws of the State of Israel and LOGIADECK Ltd. (formerly known as S.M.B.P. IGLOO Ltd.), a company duly incorporated under the laws of the State of Israel (collectively, the "***Seller Group***").

WHEREAS, the Purchaser Group and the Seller Group have entered into a Purchase Agreement, dated as of August 11, 2012 (the "***Purchase Agreement***"), pursuant to which the Seller Group shall receive certain shares of common stock of the Parent, par value $0.0001 per share, as a portion of the Closing Share Purchase Consideration, and any additional Share Consideration that may be subsequently required as part of the Contingent Share Purchase Consideration (collectively, "***Share Consideration***"), as set forth in the Purchase Agreement; and

WHEREAS, in order to induce the Seller Group to execute and deliver the Purchase Agreement, the Purchaser Group has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the "***Securities Act***"), and applicable state securities laws, and in connection with such rights, the Seller Group has agreed to certain lock-up provisions limiting sales of the Share Consideration they received and potentially will receive under the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Seller Group and the Purchaser Group hereby agree as follows (capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in Schedule A hereto, and, if not defined in such Schedule, shall have the meanings assigned to them in the Purchase Agreement).

Section 1.1 Inclusion on Existing Registration Statement; Piggy Back Registration.

(a) Parent has filed a registration statement on Form S-1 (SEC file no. 333-182575) with the SEC (the "***Pending Registration Statement***") covering securities unrelated to those to be issued under the Purchase Agreement. The Purchaser Group will use reasonable efforts to file a post-effective amendment to the Pending Registration Statement (such post-effective amendment, the ***"Initial Registration Statement"***) within ninety (90) days after the later of the Closing or the date such registration statement is declared effective (the "***Filing Date***"), and to have the Initial Registration Statement declared effective within sixty (60) days after the Filing Date (120 days if the SEC reviews the filing). The Initial Registration Statement will cover the resale of the Registrable Shares with the SEC for an offering made on a continuous basis pursuant to Rule 415, or if Rule 415 is not available for offers and sales of the Registrable Shares,

by such other means of distribution of the Registrable Shares as the Purchaser Group may reasonably specify. If any additional Registrable Shares are issued to the Seller Group after the Closing, free of escrows or similar claims, then the Purchaser Group shall (i) use its reasonable efforts to file an additional post-effective amendment to the Initial Registration Statement (if it is still effective), substantially in the same manner as for the first post-effective amendment, within ninety (90) days of its receipt of the written request of the Seller Group to such effect (the "***Subsequent Filing Date***"), and (ii) have the additional post-effective amendment to the Initial Registration Statement declared effective within sixty (60) days of the Subsequent Filing Date (120 days if the SEC reviews the filing). The Purchaser Group's obligations under this Section 1.1(a) shall terminate on the third anniversary of the Closing, regardless of whether any Registrable Shares have been included on or sold under any registration statement referred to in this paragraph, and regardless of whether any additional Registrable Shares may be issued in the future. Notwithstanding any other provision of this Agreement, the Purchaser Group shall have no liability under this Section 1.1(a) if the SEC limits the number of Registrable Shares permitted to be registered on a particular Registration Statement, and any required cutback of Registrable Shares shall be applied to the Holders of the Seller Group pro rata in accordance with the number of such Registrable Shares sought to be included in such Registration Statement relative to the aggregate amount of all Registrable Shares.

(b) If prior to the third anniversary of the Closing, the Parent shall determine to register any of its securities for its own account or for the account of any other Person who is a holder of securities of the same type as the Registrable Shares, other than (i) a registration relating solely to employee benefit plans, (ii) a registration relating to the offer and sale of debt securities, (iii) a registration relating to a corporate reorganization or other Rule 145 transaction, (iv) a registration on any registration form that does not permit secondary sales, or (v) a registration in connection with the Parent's uplisting to any national securities exchange, then the Purchaser Group will promptly give the Seller Group written notice of the proposed registration. The Purchaser Group will use commercially reasonable efforts to include in such registration (and any related qualification under blue sky laws or other compliance) and in any underwriting involved therein, all or a part of the Seller Group's Registrable Shares, as specified in a written request by the Seller Group, within ten (10) days of the Purchaser Group's receipt of such written notice, subject to the conditions set forth below. If the registration which gives rise to the Purchaser Group notice is for a registered public offering involving an underwriting, the Purchaser Group shall so advise the Seller Group. In such event, the Seller Group's right to registration pursuant to this Section 1.1(b) shall be conditioned upon the Seller Group's participation in such underwriting and the inclusion of its Registrable Shares in the underwriting to the extent provided herein. All Holders of the Seller Group proposing to distribute their securities through such underwriting shall (together with the Purchaser Group or other holders of securities of the Parent with registration rights to participate therein distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the representative of the underwriter or underwriters selected by the Parent. Notwithstanding any other provision of this Section 1.1(b), if the underwriters advise the Purchaser Group that marketing factors require a limitation on the number of shares to be underwritten, the underwriters may (subject to the limitations set forth below) limit the number of Registrable Shares to be included in the registration and underwriting. The Purchaser Group shall so advise all holders of securities requesting registration, and the number of shares of securities that are entitled to be included in the registration and underwriting shall be allocated, as follows: (i) first,

to the Parent for securities being sold for its own account; and (ii) second to (a) Holders of the Seller Group requesting to include Registrable Shares in such registration statement based on the *pro rata* percentage of Registrable Shares held by the Seller Group, and determined on an equitable basis by the Purchaser Group, and (b) all other Persons who the Purchaser Group determines in its sole discretion have similar registration rights as the Seller Group. If a Person who has requested inclusion in such registration as provided above does not agree to the terms of any such underwriting, such Person shall be excluded therefrom by written notice from the Parent or the underwriter. Any Registrable Shares or other securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and the Parent may substitute and include any other shares for the withdrawn shares in the registration. The Parent shall have the right to terminate or withdraw any registration initiated by it under this Section 1.1(b) prior to the effectiveness of such registration whether or not the Seller Group has elected to include securities in such registration.

Section 1.2 Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification, exemption or compliance pursuant to Section 1.1 shall be borne by the Purchaser Group. All Selling Expenses relating to the sale of securities registered by or on behalf of the Seller Group shall be borne by Holders of the Seller Group pro rata based on the number of securities so registered.

Section 1.3 Certain Actions in Connection with Registration. In the case of the registration, qualification, exemption or compliance effected by the Parent pursuant to this Agreement, upon the reasonable request of the Seller Group, the Purchaser Group shall inform the Seller Group as to the status of such registration, qualification, exemption and compliance. At its expense the Purchaser Group shall:

(a) except for such times as the Parent is permitted hereunder to suspend the use of the prospectus forming part of a Registration Statement, (i) use its commercially reasonable efforts to keep such registration and any qualification, exemption or compliance under state securities laws, which the Parent determines to maintain continuously effective with respect to the Seller Group, and (ii) to keep the applicable Registration Statement free of any material misstatements or omissions, until the earlier of (x) the date by which all the Share Consideration may be sold without restriction under Rule 144, including, without limitation, any volume and manner of sale restrictions which may be applicable to affiliates under Rule 144, or (y) the third anniversary of the Closing Date. The period of time during which the Parent is required hereunder to keep a Registration Statement effective is referred to herein as the "Registration Period";

(b) upon the Seller Group's written request, promptly furnish to the Seller Group without charge at least one copy of each Registration Statement and each post-effective amendment thereto, including financial statements and schedules, and, if explicitly requested, all exhibits in the form filed with the SEC; and

(c) during the Registration Period and upon the Seller Group's reasonable written request, promptly deliver to the Seller Group without charge, as many copies of each prospectus included in a Registration Statement, and any amendment or supplement thereto. Parent consents to the use, consistent with the provisions hereof, of the prospectus, or any amendment

or supplement thereto, by the Seller Group in connection with the offering and sale of the Registrable Shares covered by a prospectus or any amendment or supplement thereto.

Section 1.4 Cooperation by Seller Group; Suspension of Registration Obligation.

(a) The Seller Group agrees that upon receipt of any notice from the Purchaser Group of the happening of any event requiring the preparation of a supplement or amendment to a prospectus relating to Registrable Shares, so that, as thereafter delivered to the Seller Group, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Seller Group will forthwith discontinue disposition of Registrable Shares pursuant to a Registration Statement and any related prospectus until its receipt of copies of the supplemented or amended prospectus from the Parent and, if so directed by the Purchaser Group, the Seller Group shall deliver to the Parent all copies, other than permanent file copies then in the Seller Group's possession, of the prospectus covering such Registrable Shares current at the time of receipt of such notice.

(b) The Seller Group shall suspend, upon request by the Purchaser Group, any disposition of Registrable Shares pursuant to any Registration Statement and prospectus contemplated by Section 1.1 during no more than two (2) periods of no more than thirty (30) calendar days each during any twelve (12) month period to the extent that the Board of Directors of the Parent determines in good faith that the sale of Registrable Shares under any such Registration Statement would be reasonably likely to cause a violation of the Securities Act or the Exchange Act.

(c) As a condition to the inclusion of its Registrable Shares, the Seller Group shall furnish to the Parent such information regarding the Seller Group and any distribution proposed by the Seller Group as the Parent may reasonably request in writing, including completing a Registration Statement Questionnaire in the form as may be provided by the Parent, or as shall be required in connection with any registration referred to in Section 1.

(d) The Seller Group hereby covenants with the Purchaser Group (i) not to make any sale of the Registrable Shares without effectively causing the prospectus delivery requirements under the Securities Act to be satisfied, and (ii) if such Registrable Shares are to be sold by any method or in any transaction other than on a national securities exchange or in the over-the-counter market, in privately negotiated transactions, or in a combination of such methods, to notify the Parent at least five (5) Business Days prior to the date on which the Seller Group first offers to sell any such Registrable Shares.

(e) The Seller Group agrees not to take any action with respect to any distribution deemed to be made pursuant to a Registration Statement which would constitute a violation of Regulation M under the Exchange Act or any other applicable rule, regulation or law.

(f) At the end of the Registration Period, the Seller Group shall discontinue sales of shares pursuant to any Registration Statement upon receipt of notice from the Purchaser Group of the Parent's intention to remove from registration the shares covered by any such Registration Statement which remain unsold, and the Seller Group shall notify the Purchaser Group of the

number of shares registered which remain unsold immediately upon receipt of such notice from the Purchaser Group.

Section 1.5 Assignment of Registration Rights. The rights to cause the Company to register Registrable Shares granted to the Holders by the Company under Section 1 may be assigned by a Holder in connection with a transfer by such Holder of all or a portion of its Registrable Shares, *provided, however*, that such transfer must be made at least ten days prior to the Filing Date and that (i) such transfer may otherwise be effected in accordance with applicable securities laws; (ii) such Holder gives prior written notice to the Company at least ten days prior to the Filing Date; (iii) such transferee is an "accredited investor" as defined under Regulation D of the Securities Act; and (iv) such transferee agrees to comply with the terms and provisions of this Agreement, and such transfer is otherwise in compliance with this Agreement. Except as specifically permitted by this Section 1.5, the rights of a Holder with respect to Registrable Shares as set out herein shall not be transferable to any other Person, and any attempted transfer shall cause all rights of such Holder therein to be forfeited.

Section 1.6 Waiver. The rights of the Seller Group under any provision of this Agreement may be waived (either generally or in a particular instance, either retroactively or prospectively and either for a specified period of time or indefinitely) or amended by an instrument in writing signed by the Seller Group.

Section 1.7 Non-US Securities Laws. The Parent shall have no obligation to the Seller Group, under this Agreement or otherwise, to effect any registration, to qualify, to comply with or to otherwise enable any sale or disposition, under or with respect to, the securities laws or stock exchanges of any state, country, legal system or jurisdiction other than the U.S. securities laws and United States state securities laws to the extent expressly set forth herein. The Seller Group represents to the Purchaser Group that they will fully comply, at their own costs, with all such laws, including Israeli securities and other laws, in connection with any sale, offer or attempted sale or offer of the Registrable Shares.

Section 1.8 Amendment of Registration Rights. The terms and provisions of this Agreement may only be amended with the written consent of the Purchaser Group and the Holders of the Seller Group holding a majority interest of the Registrable Shares. Any amendment or waiver effected in accordance with this Section 1.8 shall be binding upon each Holder of the Seller Group (and any purported transferees), whether or not they consented.

Section 1.9 Rule 144 Information. With a view to making available the benefits of certain rules and regulations of the SEC which may at any time permit the sale of the Registrable Shares to the public without registration, Parent agrees to use its reasonable best efforts to, until the third anniversary of the Closing : (i) make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act, at all times, (ii) use its best efforts to file with the SEC in a timely manner all reports and other documents required of Parent under the Securities Act and the Exchange Act (at any time it is subject to such reporting requirements), and (iii) furnish to any Holder forthwith upon request a written statement by Parent as to its compliance with the reporting requirements of Rule 144 under the Securities Act a copy of the most recent annual or quarterly report of Parent, and such other reports and documents of Parent and other information as such Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing such Holder to sell any such securities without registration.

Section 2. Lock-Up.

2.1 Transactional Lock-Up. The Seller Group shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale (including a pledge), of any Share Consideration (or other securities) of the Parent held by such Holder (other than those included in the registration) during the one hundred eighty (180) day period following the effective date of the registration statement of the Parent's public offering in connection with uplisting on a national securities exchange filed under the Securities Act (or such other period as may be requested by the Purchaser Group or an underwriter to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto), provided that all officers and directors of the Parent and holders of at least one percent (1%) of the Parent's voting securities are bound by and have entered into similar agreements. The obligations described in this Section 2.1 shall not apply to a registration relating solely to employee benefit plans on Form S-l or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a transaction on Form S-4 or similar forms that may be promulgated in the future. The Seller Group agrees to execute a market standoff agreement with the underwriters in customary form consistent with the provisions of this Section 2.1.

2.2 Time Based Lock Up. The Seller Group shall not sell or otherwise transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale (including a pledge), of any Registrable Shares (or other securities) of the Parent (whether or not included in any registration) until the first anniversary of the date upon which such shares are required to be actually issued to such Holder (i.e., with respect to the Share Consideration issued at Closing, the first anniversary of the Closing, and with respect to any Contingent Share Purchase Consideration issued after the Closing that date such shares are required to be actually issued), except only in a merger or similar agreement approved by the Board of Directors of the Parent. Notwithstanding the foregoing, Seller Group may make a bona-fide pledge of the Share Consideration provided that the pledgee executes a Joinder Agreement in form satisfactory to Parent binding the pledgee to the obligations of Seller Group under this Agreement.

2.3 Stop Transfer. The Purchaser Group may impose stop-transfer instructions and may stamp each Registrable Share certificate with the second legend set forth in Section 2 with respect to the Registrable Shares (or other securities) subject to the foregoing restriction until the end of the applicable period.

2.4 Affiliates Bound. The Seller Group shall cause any Affiliates of the Seller Group to comply with this Section 2.

Section 3. Miscellaneous.

(a) A Person is deemed to be a holder of Registrable Securities whenever such Person owns of record such Registrable Securities. If the Purchaser Group receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, the Purchaser Group shall act upon the basis of instructions, notice or election received from the registered owner of such Registrable Securities.

(b) Any notices required or permitted to be given under the terms hereof shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by facsimile and shall be effective five days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight delivery service) or by facsimile, in each case addressed to a party. Notices shall be addressed to the respective address and a fax number for each of the parties as set forth in the Purchase Agreement. Each party shall provide notice to the other party of any change in address.

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) THIS AGREEMENT SHALL BE ENFORCED, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

(e) THE PARTIES HERETO HEREBY SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE STATE OF CALIFORNIA OR UNITED STATES FEDERAL COURTS LOCATED IN LOS ANGELES, CALIFORNIA WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE PARTIES IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH SUIT OR PROCEEDING. THE PARTIES FURTHER AGREE THAT SERVICE OF PROCESS UPON A PARTY MAILED BY FIRST CLASS MAIL SHALL BE DEEMED IN EVERY RESPECT EFFECTIVE SERVICE OF PROCESS UPON THE PARTY IN ANY SUCH SUIT OR PROCEEDING. NOTHING HEREIN SHALL AFFECT A PARTY'S RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW. THE PARTIES AGREE THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON SUCH JUDGMENT OR IN ANY OTHER LAWFUL MANNER.

(f) THE PARTY OR PARTIES WHICH DO NOT PREVAIL IN ANY DISPUTE ARISING UNDER THIS AGREEMENT SHALL BE RESPONSIBLE FOR ALL FEES AND EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE PREVAILING PARTY IN CONNECTION WITH SUCH DISPUTE.

(g) EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

(h) In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

(i) This Agreement and the Transaction Documents constitute the entire agreement and understanding among the parties with respect to the subject matter hereof, and supersedes all prior and contemporaneous negotiations, discussions, and agreements among the parties.

(j) Subject to the requirements under Section 1.5, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

(k) The headings are used only for convenience and are not to be considered in construing or interpreting this Agreement.

(l) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(m) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(n) Except as otherwise provided herein, all consents and other determinations made by the Seller Group pursuant to this Agreement shall be made by the Holders of the Seller Group holding a majority of the Registrable Shares.

(o) The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

[*Signature Page(s) Follow*]

IN WITNESS WHEREOF, the undersigned Purchaser Group and Seller Group have caused this Registration Rights and Lock Up Agreement to be duly executed as of the date first above written.

PURCHASER GROUP:

M.D.G. Logia Holdings, Ltd.

By: /s/ Peter Adderton
Name: Peter Adderton
Title: CEO

Mandalay Digital Group, Inc.

By: /s/ Peter Adderton
Name: Peter Adderton
Title: CEO

SELLER GROUP:

Logia Group, Ltd.

By: /s/ Kobi Marenko
Name: Kobi Marenko
Title: CEO

LOGIADECK Ltd.

By: /s/ Kobi Marenko

Name: Kobi Marenko
Title: CEO

SCHEDULE A

"**Exchange Act**" means the Shares Exchange Act of 1934, as amended.

"**Holders**" means any person holding Registrable Shares or any person to whom the rights under Section 1 have been transferred in accordance with Section 1.5 hereof.

"**Person**" means any person, individual, corporation, limited liability company, partnership, trust or other nongovernmental entity or any governmental agency, court, authority or other body (whether foreign, federal, state, local or otherwise).

The terms "register," "registered" and "registration" refer to the registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"**Registrable Shares**" means the Share Consideration as defined in the Purchase Agreement. As to any particular Registrable Shares, such securities shall automatically cease to be Registrable Shares (i) when sold or disposed pursuant to an effective registration statement under the Securities Act, (ii) when such securities may be sold pursuant to Rule 144 (or any similar provision then in force) under the Securities Act without limitation thereunder on volume or manner of sale, (iii) sold in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(1) thereof so that all transfer restrictions and restrictive legends with respect to such securities are removed upon the consummation of such sale, and the seller and purchaser of such securities receive an opinion of counsel of the Parent, which shall be in form and content reasonably satisfactory to the seller and purchaser and their respective counsel, to the effect that such securities in the hands of the purchaser are freely transferable without restriction or registration under the Securities Act in any public or private transaction, (iv) when such securities cease to be outstanding or (v) when they are held by any Person who is not a Holder or a permitted transferee pursuant to Section 1.5

"**Registration Expenses**" means all expenses incurred by the Purchaser Group in complying with Section 1.1 hereof, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and expenses of counsel for the Purchaser Group, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration (but excluding the fees of legal counsel for the Seller Group).

"**Registration Statement**" means any one or more registration statements of the Parent filed under the Securities Act that covers the resale of any of the Registrable Shares pursuant to the provisions of this Agreement (including without limitation the Initial Registration Statement and any new registration statements that may be filed) and amendments and supplements to such Registration Statements including post-effective amendments.

"**Rule 415**" means Rule 415 promulgated under the Securities Act, or any successor rule.

"**SEC**" means the United States Securities and Exchange Commission.

"**Selling Expenses**" means all selling commissions applicable to the sale of Registrable Shares and all fees and expenses of legal counsel for any Holder.

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Adderton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mandalay Digital Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2012

By: /s/ Peter Adderton
Peter Adderton
Chief Executive Officer
Principal Executive Officer

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dan L. Halvorson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mandalay Digital Group, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 19, 2012

By: /s/ Dan L Halvorson
Dan L. Halvorson
Executive Vice President and Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to 18 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 Mandalay Digital Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ending September 30, 2012 of the Company (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2012

By: /s/ Peter Adderton
Peter Adderton
Chief Executive Officer
Principal Executive Officer

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to 18 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 Mandalay Digital Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the period ending September 30, 2012 of the Company (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2012

By: /s/ Dan L. Halvorson
Dan L. Halvorson
Executive Vice President and Chief Financial Officer
Principal Financial Officer