

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

ALLDIGITAL HOLDINGS, Inc

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**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 **March 31, 2013**

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

For the transition period from _____ to _____

Commission File Number: **333-141676**

ALLDIGITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

20-5354797

(I.R.S. Employer
Identification No.)

220 Technology Drive Suite 100, Irvine, California

(Address of principal executive offices)

92618

(Zip Code)

(949) 250-7340

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>

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

As of May 15, 2013, there were 25,444,728 shares of the registrant's common stock issued and outstanding.

CAUTIONARY STATEMENT

All statements included or incorporated by reference in this Quarterly Report on Form 10-Q (this "Form 10-Q"), other than statements or characterizations of historical fact, are "forward-looking statements." Examples of forward-looking statements include, but are not limited to, statements concerning projected sales, costs, expenses and gross margins; our accounting estimates, assumptions and judgments; the demand for our products; the competitive nature of and anticipated growth in our industry; and our prospective needs for, and the availability of, additional capital. These forward-looking statements are based on our current expectations, estimates, approximations and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by such words as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are set forth in the "Risk Factors" section of this Report, which could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from prior results, which in turn could, among other things, cause the price of our common stock to fluctuate substantially. These forward-looking statements speak only as of the date of this report. We undertake no obligation to revise or update publicly any forward-looking statement for any reason, except as otherwise required by law.

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PART 1 – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLDIGITAL HOLDINGS, INC
CONSOLIDATED BALANCE SHEETS

	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 753,296	\$ 462,761
Accounts receivable, net of allowance of \$0 and \$0	136,319	122,064
Prepaid expenses and other current assets	55,058	53,362
Total current assets	<u>944,673</u>	<u>638,187</u>
Property and Equipment, net	79,936	80,311
Other Assets		
Deposits	11,164	11,164
Intangibles – domain name	19,750	19,750
Total assets	<u>\$ 1,055,523</u>	<u>\$ 749,412</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 590,404	\$ 520,308
Deferred revenue	632,909	347,773
Total current liabilities	<u>1,223,313</u>	<u>868,081</u>
Stockholders' Equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, none and none issued and outstanding, respectively	-	-
Common stock, \$0.001 par value, 90,000,000 shares authorized, 25,444,728 and 25,440,728 issued and outstanding, respectively	25,445	25,441
Additional paid-in capital	2,335,296	2,277,132
Accumulated deficit	(2,528,531)	(2,421,242)
Total stockholders' equity	<u>(167,790)</u>	<u>(118,669)</u>
Total liabilities and stockholders' equity	<u>\$ 1,055,523</u>	<u>\$ 749,412</u>

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	March 31,	
	2013	2012
Net sales	\$ 1,012,107	\$ 951,849
Cost of sales	610,184	643,279
Gross profit	<u>401,923</u>	<u>308,570</u>
Operating expenses		
Selling, marketing, and advertising	115,450	186,479
General and administrative	459,774	469,495
Total operating expenses	<u>575,224</u>	<u>655,974</u>
Loss from operations	<u>(173,301)</u>	<u>(347,404)</u>
Other income (expense)		
Interest income	159	445
Loss on disposal of assets	(194)	-
Other income	66,847	-
Total other income (expense)	<u>66,812</u>	<u>445</u>
Loss before provision for income taxes	<u>(106,489)</u>	<u>(346,959)</u>
Provision for income taxes	800	2,400
Net loss	\$ (107,289)	\$ (349,359)
Basic and diluted net loss per share	\$ (0.00)	\$ (0.01)
Basic and diluted weighted-average shares outstanding	<u>25,444,106</u>	<u>25,390,278</u>

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash Flows From Operating Activities		
Net loss	\$ (107,289)	\$ (349,359)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,466	9,064
Stock based compensation	57,169	50,069
Provision for doubtful accounts	-	34,072
Warrants issued for services	-	2,550
Changes in operating assets and liabilities:		
Accounts receivable	(14,255)	50,282
Deferred costs	-	(2,680)
Prepaid expenses and other current assets	(1,697)	(38,879)
Deferred revenue	285,137	(857)
Accounts payable and accrued expenses	70,095	171,070
Net cash provided by (used in) operating activities	299,626	(74,668)
Cash Flows From Investing Activities		
Purchase of property and equipment	(10,091)	(12,793)
Net cash used in investing activities	(10,091)	(12,793)
Cash Flows From Financing Activities		
Proceeds from exercise of stock options	1,000	-
Net cash provided by financing activities	1,000	-
Net Increase (Decrease) in Cash and Cash Equivalents	290,535	(87,461)
Cash and Cash Equivalents – beginning of period	462,761	998,853
Cash and Cash Equivalents – end of period	\$ 753,296	\$ 911,392
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 800	\$ 2,400

See accompanying notes to these unaudited consolidated financial statements.

Supplemental schedule of noncash investing and financing activities:

During the three months ended March 31, 2013 and 2012, the Company entered into no noncash transactions.

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

AllDigital, Inc. ("AllDigital") was incorporated in the State of California on August 3, 2009, with the primary purpose of providing digital broadcasting solutions dedicated to managing the complex pairing of cloud-based digital media and digital services with Internet-connected devices.

Our digital broadcasting solutions consist of the technology and services required to develop, operate and support a variety of complex Digital Service and Digital Broadcasting Workflow implementations across a diverse market of Devices. We accomplish this by enabling, and maximizing the performance of, the cloud-based storage, processing and transit of digital media and digital services to multiple devices simultaneously. Our business model targets a variety of entities and existing providers of Digital Services that need to develop, operate and support a cost-effective, high quality and secure Digital Service, through a Digital Broadcasting Workflow, across a large and diverse market of Devices.

Our ability to successfully generate future revenues is dependent on a number of factors, including: (i) the availability of capital to continue to develop, operate and maintain our proprietary AllDigital Cloud platform and services, (ii) the ability to commercialize our portfolio of digital broadcasting solutions to media and entertainment companies, enterprises, government agencies, and non profits, and (iii) our ability to attract and retain key sales, business and product development, and other personnel as our business and offerings continue to mature. We may encounter setbacks related to these activities.

In July 2011, AllDigital commenced a reverse merger (the "Aftermarket Merger") with Aftermarket Enterprises, Inc. ("Aftermarket"), a fully reporting company quoted on the OTC Bulletin Board (but not actively traded). Following consummation of the Aftermarket Merger, AllDigital's shareholders held a majority of the outstanding capital stock of Aftermarket.

Effective August 25, 2011, the name of Aftermarket was changed to AllDigital Holdings, Inc together with AllDigital, "we," "us" or "the Company"). Immediately following closing of the Aftermarket Merger, Aftermarket had two business lines: AllDigital's digital services business and Aftermarket's automotive accessories business. On September 27, 2011, the Company sold the automotive accessories business to the former president of Aftermarket.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The use of estimates may also affect the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include, among others, estimates of costs used in the calculation of percentage of completion contracts, realization of capitalized assets, valuation of equity instruments and other instruments indexed to the Company's common stock, and deferred income tax valuation allowances. Actual results could differ from those estimates. Following are discussion of the Company's significant accounting policies.

Liquidity

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of conducting its business. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability or classification of assets and liabilities that may result from the outcome of this uncertainty. The Company has to date incurred recurring losses and has accumulated losses aggregating approximately \$2.5 million as of March 31, 2013. The Company's business strategy includes attempting to increase its revenue through investing further in its product development and sales and marketing efforts, and expanding into international markets. The Company intends to finance this portion of its business strategy by using its current working capital resources and cash flows from operations. Management believes its cash flows from operations, together with its liquid assets will be sufficient to fund ongoing operations through at least March 31, 2014. The Company's business strategy also includes the possibility of engaging in strategic acquisitions or otherwise taking steps to more rapidly increase its growth rates.

Principles of Consolidation

The consolidated financial statements include the accounts of AllDigital, Inc. that are consolidated in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). AllDigital, Inc. is wholly-owned by AllDigital Holdings, Inc. There are no intercompany transactions as all accounts are in the name of AllDigital, Inc.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Revenue Recognition

The Company recognizes recurring and nonrecurring service revenue in accordance with the authoritative guidance for revenue recognition, including guidance on revenue arrangements with multiple deliverables. In general, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured.

Revenue from certain design and development contracts, where a solution is designed, developed or modified to a customer's specifications, is recognized on a percentage of completion basis in accordance with ASC 605-35 based on the cost-to-cost method, provided such costs can be reasonably estimated. The Company's revenue recognition practices related to such contracts include: developing an approved budget; comparing actual period costs to the budget as a percentage; recognizing revenue for the period based upon the percentage of actual costs incurred compared to total estimated costs, and; performing monthly budget-actual reviews, updates, and adjustments as needed. The impact on revenues as a result of these revisions is included in the periods in which the revisions are made. For contracts for which the Company is unable to reasonably estimate total contract costs, the Company waits until contract completion to recognize the associated revenue.

Nonrecurring revenues also include "on-boarding" professional services that involve the development or integration of a customer's software application, digital service, system, or Application Programming Interface ("API") to connect with the AllDigital platform. On-boarding professional services projects are typically of a short duration and smaller revenue amounts. The Company recognizes revenue for on-boarding professional services upon project completion and acceptance.

Monthly recurring revenues are recognized ratably over the period in which they are delivered and earned. The Company typically charges monthly recurring platform fees, as well as monthly recurring charges for our back-end storage, cloud processing, origin transit, and maintenance and support services. These fees are generally billed based on a minimum commitment plus actual usage basis, and the term of such customer contracts vary typically from 12 to 24 months.

Rarely, a customer contract will include revenue arrangements that consist of multiple product and service deliverables. Such contracts are accounted for in accordance with ASC 605-25, as amended by ASU 2009-13. For the Company's multiple-element arrangements, deliverables are separated into more than one unit of accounting when (i) the delivered element(s) have value to the customer on a stand-alone basis, and (ii) delivery of the undelivered element(s) is probable and substantially in the control of the Company. Revenue is then allocated to each unit of accounting based on the estimated selling price determined using a hierarchy of evidence based first on Vendor-Specific Objective Evidence ("VSOE") if it exists, based next on Third-Party Evidence ("TPE") if VSOE does not exist, and finally, if both VSOE and TPE do not exist, based on the Company's best estimate of selling price ("BESP"). If deliverables cannot be separated into more than one unit, then the Company does not recognize revenue until all deliverables have been delivered and accepted.

Accounts Receivable

Accounts receivable are recorded at their face amount less an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses in the accounts receivable balance. Management determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The allowance for doubtful accounts was \$0 at March 31, 2013 and December 31, 2012. The Company generally requires a deposit or advance services payments from its customers for certain contracts involving upfront capital investment, on-boarding, or development contracts to facilitate its working capital needs.

Earnings and Loss per Share

The Company computes net earnings (loss) per share in accordance with ASC 260-10 that establishes standards for computing and presenting net earnings (loss) per share. Basic earnings (loss) per share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

At March 31, 2013, the Company had 3,892,274 warrants and 2,377,535 options that could potentially dilute the number of shares outstanding. At March 31, 2012, the Company had 3,892,274 warrants and 847,222 options that could potentially dilute the number of shares outstanding. These instruments were excluded from the computation of the diluted loss per share as their impact is anti-dilutive.

Fair Value of Measurements

Fair value is defined 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. Assets and liabilities recorded at fair value in the accompanying consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

<u>Level Input:</u>	<u>Input Definition:</u>
Level 1	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level 2	Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.
Level 3	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Assets subject to this classification at March 31, 2013, and December 31, 2012, were cash and cash equivalents and are considered Level 1 assets.

For certain of the Company's financial instruments, including accounts receivable, prepaid expenses, and accounts payable, the carrying amounts approximate fair value due to their short maturities. The carrying amount of the Company's notes payable approximates fair value based on prevailing interest rates.

Income Taxes

We account for income taxes in accordance with ASC 740-10, *Income Taxes*. We recognize deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. We record a valuation allowance related to a deferred tax asset when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. We classify interest and penalties as a component of interest and other expenses. To date, we have not been assessed, nor have we paid, any interest or penalties.

The Company follows guidance issued by the FASB with regard to its accounting for uncertainty in income taxes recognized in the financial statements. Such guidance prescribes a recognition threshold of more likely than not and a measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In making this assessment, a company must determine whether it is more likely than not that a tax position will be sustained upon examination, based solely on the technical merits of the position and must assume that the tax position will be examined by taxing authorities.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Repairs and maintenance of equipment are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	5 years
Computer equipment	3 years
Software	3 years
Signs	3 years

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Gains or losses on dispositions of property and equipment are included in the results of operations when realized.

Impairment of Long-Lived and Intangible Assets

The Company accounts for long-lived assets, that include property and equipment and identifiable intangible assets with infinite useful lives, in accordance with FASB ASC 350-30, that requires that the Company review long-lived assets for impairment whenever events or changes in circumstances indicate that the Company may not recover the carrying amount of an asset. The Company measures recoverability by comparing the carrying amount of an asset to the expected future undiscounted net cash flows generated by the asset. If the Company determines that the asset may not be recoverable, the Company recognizes an impairment charge to the extent of the difference between the asset's fair value and the asset's carrying amount. The Company had no impairment charges during the three months ended March 31, 2013 and 2012.

Stock-Based Compensation

The Company accounts for share-based compensation arrangements in accordance with FASB ASC 718, which requires the measurement and recognition of compensation expense for all share-based payment awards to be based on estimated fair values. We use the Black-Scholes option valuation model to estimate the fair value of our stock options at the date of grant. The Black-Scholes option valuation model requires the input of subjective assumptions to calculate the value of stock options. We use historical data among other information to estimate the expected price volatility and the expected forfeiture rate.

Recent Accounting Pronouncements

In July 2012, the FASB issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which amended the guidance in ASU 2011-08 to simplify the testing of indefinite-lived intangible assets other than goodwill for impairment. ASU 2012-02 becomes effective for annual and interim impairment tests performed for fiscal years beginning on or after September 15, 2012 and earlier adoption is permitted. The adoption of this standard did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The amendments in this update require enhanced disclosures around financial instruments and derivative instruments that are either (1) offset in accordance with either ASC 210-20-45 or ASC 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either ASC 210-20-45 or ASC 815-10-45. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The amendments are effective during interim and annual periods beginning after December 31, 2012. The adoption of this standard did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2013 and December 31, 2012 consisted of the following:

	<u>March 31, 2013</u> <u>(unaudited)</u>	<u>December 31, 2012</u>
Furniture and fixtures	\$ 11,618	\$ 11,618
Computer equipment	90,862	80,771
Software	45,833	45,833
Signs	2,050	2,050
Less accumulated depreciation and amortization	<u>(70,427)</u>	<u>(59,961)</u>
	<u>\$ 79,936</u>	<u>\$ 80,311</u>

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of March 31, 2013 and December 31, 2012 consisted of the following:

	<u>March 31, 2013</u> <u>(unaudited)</u>	<u>December 31, 2012</u>
Accounts payable	\$ 304,568	\$ 252,793
Accrued personnel costs	222,337	155,243
Accrued professional fees	10,935	45,847
Other	<u>52,564</u>	<u>66,425</u>
	<u>\$ 590,404</u>	<u>\$ 520,308</u>

NOTE 5 - LEASE OBLIGATIONS

On October 10, 2011, the Company entered into a five-year Lease Agreement for the lease of office space at 220 Technology Suite 100, Irvine, California, 92618, which is used as corporate offices effective January 1, 2012. The lease commenced on January 1, 2012, and terminates on December 31, 2016. On November 18, 2011, the lease of office space at 220 Technology Drive Suite 100, Irvine, California 92618 was modified from a five year term to a three year term. All other terms of the October 10, 2011, lease agreement remain the same. Pursuant to the terms of the lease, monthly rent paid will be \$10,297 in year one, \$10,504 in year two, and \$10,717 in year three. Rent expense for the three months ended March 31, 2013 and 2012 was \$32,372 and \$32,486, respectively.

Effective May 1, 2011, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$423 per month.

Effective June 1, 2011, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$892 per month.

Effective October 4, 2011, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$902 per month.

Effective December 21, 2011, the Company entered into a three-year Lease Agreement for the lease of a phone system. The lease amount is \$940 per month.

Effective February 14, 2012, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$767 per month.

Effective May 4, 2012, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$921 per month.

Effective October 15, 2012, the Company entered into a three-year Lease Agreement for the lease of computer servers. The lease amount is \$334 per month.

Future minimum lease payments under operating leases at March 31, 2013 are:

Year ended March 31,	
2014	\$ 188,848
2015	\$ 179,232
2016	\$ 3,090
Total	<u>\$ 371,170</u>

NOTE 6 - STOCKHOLDERS' EQUITY

Preferred Stock

Our Board of Directors has the authority to issue Preferred Stock in one or more series and to, within the limits set forth by Nevada law and without shareholder action:

- designate in whole or in part, the powers, preferences, limitations, and relative rights, of any class of shares before the issuance of any shares of that class;
- create one or more series within a class of shares, fix the number of shares of each such series, and designate, in whole or part, the powers, preferences, limitations, and relative rights of the series, all before the issuance of any shares of that series;
- alter or revoke the powers, preferences, limitations, and relative rights granted to or imposed upon any wholly unissued class of shares or any wholly unissued series of any class of shares; or
- increase or decrease the number of shares constituting any series, the number of shares of which was originally fixed by the Board of Directors, either before or after the issuance of shares of the series; provided that, the number may not be decreased below the number of shares of the series then outstanding, or increased above the total number of authorized shares of the applicable class of shares available for designation as a part of the series.

The issuance of Preferred Stock by our Board of Directors could adversely affect the rights of holders of our common stock. The potential issuance of Preferred Stock may:

- Have the effect of delaying or preventing a change in control of the Company;
- Discourage bids for the common stock at a premium over the market price of the common stock; and
- Adversely affect the market price of, and the voting and other rights of the holders of our common stock.

Common Stock

50,000 shares of common stock were issued in September 2012 upon the exercise of stock options. 4,000 shares of common stock were issued in January 2013 upon the exercise of stock options.

Stock Options

On July 28, 2011, AllDigital adopted, and in the Aftermarket Merger, the Company assumed the 2011 Stock Option and Incentive Plan (the "Plan") for directors, employees, consultants and other persons acting on behalf of the Company, under which 4,500,000 shares of common stock are authorized for issuance. Options granted under the Plan vest on the date of grant, over a fixed period of time, or upon the occurrence of certain events and have a contractual term of up to ten years. Effective January 3, 2012, a majority of shareholders approved an increase in the number of shares authorized from 4,500,000 to 8,500,000.

During the three months ended March 31, 2013, the Company issued 132,000 options under the Plan to certain employees, 4,000 options were exercised, and 25,000 options were forfeited by employees who resigned from the Company. At March 31, 2013, there were 4,713,000 total options outstanding.

As of March 31, 2013, there were 3,733,000 shares of common stock available for grant under the Plan.

A summary of the status of the options granted is as follows:

	<u>Shares</u>	<u>Weighted- average exercise price</u>	<u>Average remaining contractual term - years</u>	<u>Aggregate intrinsic value</u>
Outstanding, December 31, 2012	4,610,000	\$ 0.26	8.70	
Granted	132,000	\$ 0.50	9.76	
Exercised	4,000	\$ 0.50		
Forfeited	(25,000)	\$ 0.50	-	-
Outstanding, March 31, 2013	<u>4,713,000</u>	\$ 0.27	8.48	-
Exercisable: March 31, 2013	<u>2,377,535</u>	\$ 0.25	8.42	-

At March 31, 2013, 2,377,535 options had vested and 2,335,465 options are expected to vest.

As of March 31, 2013, there was \$498,669 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over the remaining weighted-average vesting period of 2.28 years. The total fair value of options vested during the three months ended March 31, 2013 was \$52,859. The aggregate intrinsic value of the options expected to vest in the future was \$0.

Stock-based compensation expense for the three months ended March 31, 2013 and 2012 was \$57,169 and \$50,069, respectively.

The fair value of the options granted by AllDigital Holdings, Inc., for the three months ended March 31, 2013 and 2012 is estimated at \$66,000 and \$28,050, respectively.

The fair value of each stock option award is estimated on the date of grant using the Black-Scholes option pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which do not have vesting restrictions and are fully transferable. The determination of the fair value of each stock option is affected by our stock price on the date of grant, as well as assumptions regarding a number of highly complex and subjective variables. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The assumptions used to value stock options are as follows:

	Period Ended	
	March 31, 2013	December 31, 2012
Dividend yield	—	—
Risk-free interest rate	1.86%	1.49% to 2.00%
Volatility	196%	196%
Expected life (in years)	6.5	6 – 6.5
Weighted average grant date fair value per share of options granted	\$ 0.50	\$ 0.41

The dividend yield is zero as the Company currently does not pay a dividend.

The risk-free interest rate is based on the U.S. Treasury bond.

Volatility is estimated based on comparable companies in the industry.

Warrants

A summary of the status of the warrants granted is as follows:

	<u>Shares</u>	<u>Weighted- average exercise price</u>
Outstanding – December 31, 2012	3,892,274	\$ 0.49
Granted	-	-
Forfeited	-	-
Exercised	-	-
Outstanding – March 31, 2013	<u>3,892,274</u>	<u>\$ 0.49</u>
Exercisable – March 31, 2013	<u>3,892,274</u>	<u>\$ 0.49</u>

The following table summarizes information about warrants outstanding at March 31, 2013:

<u>Outstanding</u>			<u>Exercisable</u>		
<u>Range of exercise prices</u>	<u>Number of warrants outstanding</u>	<u>Weighted -average remaining contractual life (in years)</u>	<u>Weighted- average exercise price</u>	<u>Number of warrants exercisable</u>	<u>Weighted- average exercise price</u>
\$ 0.25	150,000	4.41	\$ 0.25	150,000	\$ 0.25
\$ 0.275	60,000	4.33	\$ 0.275	60,000	\$ 0.275
\$ 0.50	3,682,274	2.43	\$ 0.50	3,682,274	\$ 0.50
<u>\$ 0.25 - \$0.50</u>	<u>3,892,274</u>	<u>2.53</u>	<u>\$ 0.49</u>	<u>3,892,274</u>	<u>\$ 0.49</u>

NOTE 7 - INCOME TAXES

The Company establishes a valuation allowance when it is more likely than not that the Company's recorded net deferred tax asset will not be realized. In determining whether a valuation allowance is required, the Company must take into account all positive and negative evidence with regard to the utilization of a deferred tax asset. As of March 31, 2013 and December 31, 2012, the valuation allowance for deferred tax assets totaled approximately \$606,000 and \$591,000, respectively. For the three months ended March 31, 2013, the increase in the valuation allowance was \$15,000.

The Company plans to continue to provide a full valuation allowance on future tax benefits until it can sustain an appropriate level of profitability and until such time, the Company would not expect to recognize any significant tax benefits in its future results of operations.

As of March 31, 2013, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately \$1.4 million and \$1.3 million, respectively, which expire through 2033. The utilization of net operating loss carryforwards may be limited under the provisions of Internal Revenue Code Section 382 and similar state provisions due to a change in ownership.

The Company has not recognized any liability for unrecognized tax benefits. The Company expects any resolution of unrecognized tax benefits, if created, would occur while the full valuation allowance of deferred tax assets is maintained; therefore the Company does not expect to have any unrecognized tax benefits that, if recognized, would affect the effective tax rate.

The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. As of March 31, 2013 and December 31, 2012, the Company had no accrual for the payment of interest or penalties. All years for which income tax returns have been prepared are subject to examination.

NOTE 8 - COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

Major Customers

At March 31, 2013 and December 31, 2012, four and three customers accounted for 84% and 82% of the outstanding accounts receivable, respectively.

For the three months ended March 31, 2013 and 2012, five and three customers accounted for 85% and 74% of total revenue, respectively.

Major Vendors

At March 31, 2013 and December 31, 2012, two and four vendors accounted for 96% and 85% of the outstanding accounts payable, respectively.

For the three months ended March 31, 2013 and 2012, four and three vendors accounted for 73% and 78% of total purchases, respectively.

Concentrations of Credit Risk

Financial instruments that may subject the Company to credit risk include uninsured cash-in-bank balances. The Company places its cash with high quality financial institutions located in Southern California. From time to time, such balances exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances. As of March 31, 2013, the Company's uninsured cash was \$522,665.

Plan of Merger and Reorganization

On January 6, 2013, we entered into an Agreement and Plan of Merger and Reorganization (the "Broadcast Merger Agreement") with Broadcast International, Inc., a Utah corporation ("Broadcast International") and Alta Acquisition Corporation, a Nevada corporation and wholly-owned subsidiary of Broadcast International ("Merger Sub"). Assuming conditions to closing are satisfied, Merger Sub will be merged with and into Company, and Company will survive as a wholly-owned subsidiary of Broadcast International (the "Broadcast Merger").

NOTE 9 – SEGMENT INFORMATION

The Company currently operates in one business segment, digital media services. All fixed assets are located at the Company's headquarters and data centers located in the United States. All sales for the three months ended March 31, 2013 were in the United States and Canada.

NOTE 10 - SIGNIFICANT AGREEMENTS

Reverse Merger

On July 29, 2011, Aftermarket entered into an agreement with respect to, and closed, a merger agreement with AllDigital, pursuant to which AllDigital became a wholly-owned subsidiary of Aftermarket and AllDigital shareholders became the holders of a majority of the outstanding capital stock of Aftermarket following the closing. In connection with the Merger, Aftermarket, which would subsequently be renamed AllDigital Holdings, Inc., also conducted an offering to raise approximately \$1,000,000 in aggregate proceeds, including approximately \$500,000 in Notes that converted into the common stock and warrants in the offering. On July 29, 2011, the Company successfully completed the proposed Merger and related offering in which Aftermarket acquired all of the assets and operations of AllDigital, Inc. Effective August 25, 2011, the name of Aftermarket Enterprises was changed to AllDigital Holdings, Inc. As of the date of the Merger, the Company had two business lines: AllDigital, Inc.'s digital media services business and Aftermarket's automotive accessories business. On September 27, 2011, AllDigital Holdings, Inc. sold the automotive accessories business to the former president of Aftermarket Enterprises.

NOTE 11 - SUBSEQUENT EVENTS

On April 8, 2013, the Company issued an aggregate of 128,000 options to employees.

ITEM 2. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion contains statements that constitute forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend" or "expect" "will" or similar words. When considering such forward-looking statements, you should keep in mind the risk factors noted in the section of this Report entitled "Risk Factors" and other cautionary statements throughout this Report. You should also keep in mind that all forward-looking statements are based on management's existing beliefs about present and future events outside of management's control and on assumptions that may prove to be incorrect.

Certain Defined Terms

In this Report, we use certain technical terms to describe our business, which terms are important to an understanding of our business, including the following:

- "Apps" are software applications that operate on a Device, and which can act as the front-end of a remotely hosted, cloud-based Digital Service.
- "Devices" are Internet-connected devices, including without limitation smartphones, tablet computers, desktop and laptop computers, gaming consoles, digital televisions, home theatre systems, streaming players, "smart" appliances, and digital signage.
- "Digital Broadcasting Workflow" is a series of interconnected processes to ingest, store, prepare, secure, manage, monetize, convert and distribute live media feeds and video-on-demand assets, as well as real-time data and other information to and from Apps on Devices.
- "Digital Services" are remotely hosted, cloud-based software applications intended for use on, interactivity with, and the delivery of digital media to or from, one or more Devices, through a Digital Broadcasting Workflow. Examples of well-known Digital Services include Netflix's Movies On-Demand, Hulu, Pandora Radio, Instagram, Twitter, MLB.com, Match.com, Pinterest, and Facebook.
- "Pairing" is the process of setting-up, managing and maintaining the ongoing data exchange between a Digital Service and a Device through the applicable Digital Broadcasting Workflow. Pairing includes not only the initial process of ensuring the compatibility of the Digital Service with one or more Devices operating on one or more Device platforms, but may also include any or all of the following:
 - Managing various elements of and processes related to the ongoing data exchange between a Digital Service and a Device, including Device compatibility, security, quality of service, data and signal flows, and dynamic updates;
 - Applying business rules (e.g., subscriber eligibility and authentication) and processing to live media feeds, video-on-demand (e.g., converting master video files into formats compatible with the target Devices), real-time data and other data assets, and Digital Services; and
 - Acting as the origin for data exchange between the Digital Services, through the Digital Broadcasting Workflow, to the Devices.

Overview of our Business

AllDigital Holdings, Inc. (the “Company” or forms of the pronoun “we”) provides digital broadcasting solutions. Our digital broadcasting solutions consist of the technology and related services required to develop, operate and support a variety of App and Digital Service implementations, through a Digital Broadcasting Workflow, across a large and diverse market of Devices. Our business model targets a variety of organizations and existing providers of Digital Services, such as media and entertainment companies, enterprises, government agencies, and nonprofits.

Industry analysts have predicted that, over the next few years, providers will develop several hundred thousand different Apps and a variety of Digital Services that enable new and innovative functionality to a growing universe of Devices. The makers and providers of these Apps and related Digital Services will come from a number of different market segments, including media and entertainment, enterprise, faith-based organizations, education, interactive gaming and government, and represent our existing and target customers.

There are a number of technical, financial, personnel, and management challenges for media and entertainment companies, enterprises, and organizations wanting to successfully develop, operate and support a Digital Service through a Digital Broadcasting Workflow to target Devices. As demand continues to increase from both end-users and their Devices requesting growing amounts of cloud-based digital media, data processing, services, and quality of service levels, these challenges will similarly increase.

Our AllDigital Cloud platform addresses a significant number of these challenges. AllDigital Cloud is a unified digital broadcasting and cloud services platform. It is dedicated to ingesting, storing, preparing, securing, managing, monetizing, converting and distributing digital media across Devices. AllDigital Cloud enables and supports a variety of complex Digital Broadcasting Workflow and Digital Service implementations. It also maximizes the performance of, and offers significant scale and pricing advantages related to, the cloud-based storage, cloud processing and origin transit of digital media to and from Devices.

The Company was previously called Aftermarket Enterprises, Inc. It acquired all of the assets and operations of AllDigital, Inc. in a reverse triangular merger (the “Aftermarket Merger”) that was effected on July 29, 2011. As of the date of the Aftermarket Merger, the Company had two business lines: AllDigital, Inc.’s digital broadcasting solutions business and the automotive accessories business conducted by Aftermarket Enterprises, Inc. prior to the Aftermarket Merger. On September 27, 2011, we sold the automotive accessories business. We refer to the Company as “Aftermarket” when attempting to distinguish the business of the Company prior to the Aftermarket Merger from its current business. Similarly, we refer to our predecessor company as “AllDigital, Inc.” when referring our current business prior to the Aftermarket Merger.

General Outlook

We expect that the need for digital broadcasting solutions will accelerate significantly over the next 2-3 years, which acceleration we anticipate will be driven by the convergence of the following two key market dynamics: (1) The market for Devices is substantial and rapidly growing, and, (2) Digital Services are increasingly critical to enterprise core business applications, are implemented to achieve a wide variety of objectives, and are rapidly proliferating. We believe that the growth of the Digital Services market will not be sustainable, however, without the creation of third party service providers that offer the digital broadcasting solutions required to successfully develop, operate and support Digital Services to a large and diverse market of Devices.

Our ability to successfully generate future revenues is dependent on a number of factors, including: (i) the availability of capital to continue to develop, operate and maintain our proprietary AllDigital Cloud platform and services, (ii) the ability to commercialize our portfolio of digital broadcasting solutions to media and entertainment companies, enterprises, government agencies, and non-profits, and (iii) our ability to attract and retain key sales, business and product development, and other personnel as our business and offerings continue to mature. We may encounter setbacks related to these activities.

Key Opportunities

On January 6, 2013, we entered into an Agreement and Plan of Merger and Reorganization (the "Broadcast Merger Agreement") with Broadcast International, Inc., a Utah corporation ("Broadcast International") and Alta Acquisition Corporation, a Nevada corporation and wholly-owned subsidiary of Broadcast International ("Merger Sub"). Assuming conditions to closing are satisfied, Merger Sub will be merged with and into Company, and Company will survive as a wholly-owned subsidiary of Broadcast International (the "Broadcast Merger").

The completion of the Broadcast Merger is subject to various customary and other closing conditions, including, among other things: (i) the approval of the respective stockholders of Broadcast International and the Company, (ii) subject to certain materiality exceptions, the accuracy of the representations and warranties made by each of Broadcast International and the Company and the compliance by each of Broadcast International and the Company with their respective obligations under the Broadcast Merger Agreement; and (iii) the declaration of the effectiveness by the Securities and Exchange Commission (the "SEC") of the Registration Statement on Form S-4 (the "Registration Statement") to be filed by Broadcast International in connection with the Broadcast Merger.

On February 6, 2013, after having conducted additional due diligence, the Company provided written notice of its belief that certain material representations and warranties in the Broadcast Merger Agreement were inaccurate when made. In the notice, the Company also identified its requirements for curing these alleged inaccuracies and notified Broadcast International that if such alleged inaccuracies are not cured or otherwise resolve within thirty (30) days of such notice, or if it earlier becomes apparent that such alleged inaccuracies cannot be cured, the Company may terminate the Broadcast Merger Agreement in accordance with its terms. Broadcast International and the Company have been working together on the issues identified in such notice. In light of progress made to date related to these issues, on March 6, 2013, the Company provided written notice to Broadcast International that it was extending the cure period identified in the Initial Notice to April 7, 2013. On April 7, 2013, the Company agreed to extend the period for cure until May 7, 2013, subject to the Company and Broadcast signing the Amendment described below.

On April 9, 2013, Broadcast, Merger Sub and the Company entered into a First Amendment to Agreement and Plan of Merger (the "Amendment"), which made two modifications to the Merger Agreement. First, the Amendment added a new paragraph 8.1(l), under which either party can terminate the Merger Agreement without cause upon three (3) days advance written notice. Second, the Amendment suspended the application of the non-solicitation and other "no shop" provisions of the Agreement, and suspended the parties' obligations to prepare a joint registration/proxy statement, until such time as Broadcast and the Company mutually approve and agreed to file a joint registration/proxy statement.

As of the date of this Report, there are uncertainties surrounding the close of the Broadcast Merger (see the risks described under Risk Factors below); however, the Company believes that the issues identified in the notice referenced above can be resolved, and we look forward to working together with Broadcast International to try to resolve such remaining issues. The Company also remains interested in continuing to move forward with the Broadcast Merger, subject to the conditions and obligations set forth in the Broadcast Merger Agreement.

We believe the Broadcast Merger represents a significant opportunity for both the Company and Broadcast International. Our goal is to radically redefine the way in which companies and organizations manage the distribution of their digital media assets. Our long-term vision has always been to provide a revolutionary broadcast platform where virtually anyone can become a global broadcaster. We believe that the Broadcast Merger, if consummated, brings us significantly closer to being able to realize this vision.

By integrating Broadcast International's content management system ("CMS") with the AllDigital Cloud Platform and App Frameworks, it is anticipated that the combined company will be able to provide a highly scalable, flexible and secure digital broadcasting platform where virtually any form of digital media can target and reach a global audience across Devices. On a combined basis, using our unique combination of digital broadcasting technology and related cloud-based services, we believe our clients can create one or more 'digital television channels' that can target a single device or, literally, billions of connected devices, to create their own public or private facing broadcasting networks. It is anticipated that we will be able to provide existing and prospective clients with total control over the distribution of their digital media assets. We believe that the level of digital media asset control inherent in the combined solution is an important differentiator and value proposition for the combined companies. We will change the name of Broadcast International to "AllDigital Broadcasting, Inc."

Results of Operations – Quarters Ended March 31, 2013 and 2012

The following discussions are based on the consolidated balance sheets as March 31, 2013 (unaudited) and December 31, 2012 and statement of operations for the three months ended March 31, 2013 and 2012 (unaudited) and notes thereto.

The tables presented below, which compare AllDigital's results of operations from one period to another, present the results for each period and the change in those results from one period to another in both dollars and percentage change. The columns present the following:

- The first two data columns in each table show the dollar results for each period presented.
- The columns entitled "Dollar variance" and "% variance" show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when net sales increase from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative in both columns.

Three Months Ended March 31, 2013 (Unaudited) Compared to Three Months Ended March 31, 2012 (Unaudited)

	For the three months ended March 31,		Dollar variance favorable (unfavorable)	% variance favorable (unfavorable)
	2013	2012		
Net sales	\$ 1,012,107	\$ 951,849	\$ 60,258	6.3%
Cost of sales	610,184	643,279	33,095	5.1%
Gross profit	401,923	308,570	93,353	30.3%
Operating expenses				
Selling, marketing and advertising	115,450	186,479	71,029	38.1%
General and administrative	459,774	469,495	9,721	2.1%
Total operating expenses	575,224	655,974	80,750	12.3%
Loss from operations	(173,301)	(347,404)	174,103	50.1%
Other income (expense)				
Interest income	159	445	(286)	(64.3)%
Loss on disposal of assets	(194)	-	(194)	-
Other income	66,847	-	66,847	-
Total other income (expense)	66,812	445	66,367	149.1%
Loss before provision for income taxes	(106,489)	(346,959)	240,470	69.3%
Provision for income taxes	800	2,400	1,600	66.7%
Net loss	\$ (107,289)	\$ (349,359)	\$ 242,070	69.3%

Net Sales. Net sales increased by \$60,258, or 6% in the first quarter of 2013 compared to the first quarter of 2012, due to a \$27,943 increase in recurring monthly maintenance and support contracts with new and existing customers, and a \$32,315 increase in recognition of percentage of completion revenue related to our contracts with existing and new customers.

Gross Profit. Gross profit increased by \$93,353, or 30%, in the first quarter of 2013 compared to the first quarter of 2012. The increase in gross profit resulted from an increase of \$60,258 in net sales and \$87,428 decrease in 3rd party contracted resources as we transitioned to more in-house personnel, offset by \$53,108 increase in salaries and related expenses for new engineering and software development resources for current and upcoming projects and \$1,225 increase in other costs of sales.

Selling, Marketing and Advertising Expenses. Selling, marketing and advertising expenses decreased by \$71,029, or 38%, in the first quarter of 2013 compared to the first quarter of 2012. The decrease resulted from decreases of \$54,407 in salary and payroll related expenses, primarily due to two fewer employees in 2013 as compared to 2012, \$13,468 in advertising, \$7,278 in travel, and \$7,921 in other selling expenses, offset by an increase of \$12,045 in consultants and outside services.

General and Administrative Expenses. General and Administrative expenses decreased by \$9,721, or 2%, in the first quarter of 2013 compared to the first quarter of 2012. The decrease was primarily due to decreases of \$34,072 in bad debt expense (\$0 in 2013 as compared to \$34,072 in 2012), \$21,191 in consultants and outside services, \$7,393 in software maintenance and support, and \$3,659 in other expenses, offset by increases of \$30,040 in salary and payroll related expenses, \$9,852 in travel, \$8,932 in insurance, and \$7,770 in accounting expense.

Other Income. Other income of \$66,847 was the result of a settlement with a former client. The settlement was for \$113,823, of which \$46,976 was applied against open invoices.

Liquidity and Capital Resources

As of March 31, 2013, we had current assets of \$944,674, including \$753,296 in cash and cash equivalents.

Cash increased \$290,535 from \$462,761 at December 31, 2012 to \$753,296 at March 31, 2013, due primarily to net cash provided by operating activities of \$299,626 in the first quarter of 2013. Net cash provided by operating activities consisted of increases of \$285,137 in deferred revenue, \$70,095 in accounts payable and accrued expenses and \$67,636 in noncash adjustments, offset by \$107,289 operating loss, increases of \$14,255 in accounts receivable and \$1,697 in prepaid expenses and other current assets. Net cash used in operating activities was \$74,668 for the three months ended March 31, 2012.

\$10,091 cash was used in investing activities in the first quarter of 2013 for the purchase of furniture, computer equipment and building signs. \$12,793 cash was used in investing activities in the first quarter of 2012 for the purchase of furniture, computer equipment and building signs.

\$1,000 cash was provided by financing activities in the first quarter of 2013 due to the exercise of 4,000 options. No cash was provided by financing activities in the first quarter of 2012.

We monitor our financial resources on an ongoing basis and may adjust planned business activities and operations as needed to ensure that we have sufficient operating capital. We evaluate our capital needs, and the availability and cost of capital on an ongoing basis and expect to seek capital when and on such terms as deemed appropriate based upon an assessment of then-current liquidity, capital needs, and the availability and cost of capital. Given our early stage of operations, we do not expect that bank or other institutional debt financing will be available. We expect that any capital we raise will be through the issuance of equity securities, warrants or similar securities. As of March 31, 2013, we did not have any commitments to provide financing. We believe that we will be able to obtain financing when and as needed, but may be required to pay a high price for capital. On October 9, 2012, the Company announced that it signed an engagement letter with Merriman Capital, Inc., an investment banking firm, to function as its capital markets advisor. Merriman will advise AllDigital on various strategic matters, including potentially raising capital. We do not have any commitments to provide capital.

We believe that at the current level of revenue and expenses, we will have sufficient capital for the next twelve months. However, we are seeking to accelerate our revenue growth and may participate in strategic joint ventures or acquisitions. In addition, it is possible that our revenue may significantly decrease from current levels and that our expenses may significantly increase from current levels. As a result, it is likely that we will seek to raise capital in 2013. We may be unable to raise capital. If we are able to raise capital, we may have to issue shares at a discount from market prices or otherwise in a highly dilutive manner.

On January 6, 2013, we entered into the Broadcast Merger Agreement with Broadcast International related to the Broadcast Merger. There are uncertainties surrounding the close of the Broadcast Merger (see the risks described under Item 1A Risk Factors); however, assuming conditions to closing are satisfied, Merger Sub will be merged with and into Company, and Company will survive as a wholly-owned subsidiary of Broadcast International.

Under the terms of the Broadcast Merger Agreement, AllDigital and Broadcast International are each allowed to seek to raise capital on their own terms prior to the closing, subject to the approval of the other party. As of the date of this Report, we have not yet formalized a plan or schedule to raise capital in 2013; however, given our limited capital and the expectation that Broadcast International will have a working capital deficit prior to closing, we and/or Broadcast International will need to raise capital in order to fund the operations of the combined company following closing. We do not have any commitments to provide such capital. We may be unable to raise capital. If we are able to raise capital, we may have to issue shares at a discount from market prices or otherwise in a highly dilutive manner.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, and all of the other information set forth in this Report before deciding to invest in shares of our common stock. In addition to historical information, the information in this Report contains forward-looking statements about our future business and performance. Our actual operating results and financial performance may be different from what we expect as of the date of this Report. The risks described in this Report represent the risks that management has identified and determined to be material to our company. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may also materially harm our business operations and financial condition.

We are in an early stage of operations and may be unable to generate significant revenue in the future.

AllDigital Holdings was incorporated in 2006, and AllDigital was incorporated in August 2009. Both have been operating for only a limited period of time and are in an early stage of operations. We may be unable to expand revenue at the rate anticipated. If we do not generate significant revenue in the future, or if costs of expansion and operation exceed revenues, we will not be profitable. We may be unable to execute our business plan, generate significant revenue or significant profits.

We have a limited operating history and cannot ensure the long-term successful operation of our business or the execution of our business plan.

We have a limited operating history, and our digital broadcasting solutions are an evolving business offering. As a result, investors have no meaningful track record by which to evaluate our future performance. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets. We may be unable to accomplish any of the following, which would materially impact our ability to implement our business plan:

- establishing and maintaining broad market acceptance of our products, technology, services, and platform, and converting that acceptance into direct and indirect sources of revenue;
- establishing and maintaining adoption of our products, technology, services, and platform on a wide variety of Devices and Device platforms;
- timely and successfully developing new products, technology, services, service and platform features, and increasing the functionality and features of our existing products, services, platform and technology;
- developing products, technology, services, and platforms that result in a high degree of customer satisfaction and a high level of end-customer usage;
- successfully responding to competition, including competition from emerging technologies and solutions;
- developing and maintaining strategic relationships to enhance the distribution, features, content and utility of our products, technology, services, and platform; and
- identifying, attracting and retaining talented technical services, engineering, and creative services staff at reasonable market compensation rates in the markets in which we employ.

Our business strategy may be unsuccessful and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully accomplish these tasks, our business will be harmed.

We will likely need to raise additional capital in order to continue and grow our operations, and we may be unable to obtain additional capital on reasonable terms, or at all.

We generated negative cash flows from operations during the year ended December 31, 2012, have a working capital deficiency at March 31, 2013 and have limited cash. If we continue to use cash in our operations, we will need to raise capital. Given our early stage of operations, we do not expect that bank or other institutional debt financing will be available. We expect that any capital we raise will be through the issuance of equity securities, warrants or similar securities. We have no commitments from any parties to provide capital and may not be able to raise capital on reasonable terms, or at all. If we need, and are unable to raise capital, we will be required to significantly curtail our marketing efforts and may be required to cease operations.

We will be unable to implement our business plan if we cannot raise sufficient capital and may be required to pay a high price for capital.

We had current assets of \$944,673 and current liabilities of \$1,223,313, for negative net working capital of \$278,640, as of March 31, 2013. We will need to obtain additional capital to implement our business plan and meet our financial obligations as they become due. We may not be able to raise the additional capital needed or may be required to pay a high price for capital. Factors affecting the availability and price of capital may include the following:

- the availability and cost of capital generally;
- our financial results;
- the experience and reputation of our management team;
- market interest, or lack of interest, in our industry and business plan;
- the trading volume of, and volatility in, the market for our common stock;
- our ongoing success, or failure, in executing our business plan;
- the amount of our capital needs; and
- the amount of debt, options, warrants, and convertible securities we have outstanding.

We may be unable to meet our current or future obligations or to adequately exploit existing or future opportunities if we cannot raise sufficient capital. If we are unable to obtain capital for an extended period of time, we may be forced to discontinue operations.

We are in the early stages of the full production version of our AllDigital Cloud platform in commercial operation.

We have only recently deployed the full production version of our AllDigital Cloud platform. Accordingly, our AllDigital Cloud platform may not perform as expected and we may not be able to address some or all of the early stage production challenges that may occur. Any failure to address early productions challenges would significantly harm our results of operations and financial condition.

Because of our early stage of operations and limited resources, we may not have in place various processes and protections common to more mature companies and may be more susceptible to adverse events.

We are in an early stage of operations and have limited resources. As a result, we may not have in place systems, processes and protections that many of our competitors have or that may be essential to protect against various risks. For example, we have in place only limited resources and processes addressing human resources, timekeeping, data protection, business continuity, personnel redundancy, and knowledge institutionalization concerns. As a result, we are at risk that one or more adverse events in these and other areas may materially harm our business, balance sheet, revenues, expenses or prospects.

The platform architecture and data tracking technology underlying our services is complex and may contain unknown errors in design or implementation that could result in incorrect billings to our customers.

The platform architecture and data tracking technology underlying our AllDigital Cloud platform, broadcasting network services, and cloud services software tools and back-end services is complex and includes software and code used to generate customer invoices. This software and code is either developed internally or licensed from third parties. Any of the system architecture, system administration, software or code may contain errors, or may be implemented or interpreted incorrectly, particularly when they are first introduced or when new versions or enhancements to our tools and services are released. In addition, with respect to certain usage-based billing, the data used to bill the customer for usage is an estimate, based upon complex formulas or algorithms. We or the customer may subsequently believe that such formulas or algorithms overstate or understate actual usage. In any such case, a design or application error could cause overbilling or under-billing of our customers, which may:

- adversely impact our relationship with those customers and others, possibly leading to a loss of affected and unaffected customers;
- lead to billing disputes and related legal fees, and diversion of management resources;
- increase our costs related to product development; and/or
- adversely affect our revenues and expenses, either prospectively or retrospectively, potentially requiring restatement of financial statements.

Our continued growth could be adversely affected by the loss of several key customers.

Through the three months ending March 31, 2013, AllDigital's five largest billing relationships accounted for approximately 85% of its total billings. Our agreements with many of these key customers and/or partners expire in any given year unless renewed by the customer and/or partner, are terminable at any time upon short-term notice, or are otherwise generally terminable during 2013. Decisions by one or more of these key customers and/or partners to not renew, terminate or substantially reduce their use of our products, technology, services, and platform could substantially slow our revenue growth and lead to a decline in revenue. Our business plan assumes continued growth in revenue, and it is unlikely that we will become profitable without a continued increase in revenue.

We are dependent upon key personnel who may leave at any time and may be unable to attract qualified personnel in the future.

We are highly dependent upon on a small number of senior executives and other members of management to work effectively as a team, to execute our business strategy and business plan, and to manage our employees, independent contractors, consultants and vendors. Certain of our senior executives have limited public company experience. Any of our senior executives, managers and employees can terminate his or her employment relationship at any time, and the loss of the services of such individuals could have a material adverse effect on our ability to execute our business plan and otherwise have a material adverse effect on our business, financial condition and results of operations.

We may incur substantial operating and net losses due to substantial expenditures.

Since AllDigital began operations in 2009, we have invested significant time and expense towards developing our products, technology and services in order to capitalize on current market opportunities. We intend to increase our operating expenses and capital expenditures in order to expand our market presence, and as a result, we may incur substantial operating and net losses in the foreseeable future. There can be no assurance that we will achieve or sustain profitability or positive cash flow from our operations.

Our resources may not be sufficient to manage our expected growth; failure to properly manage our potential growth would be detrimental to our business.

We may fail to adequately manage our anticipated future growth. Any growth in our operations will place a significant strain on our administrative, financial and operational resources. It will also increase demands on our management and on our operational and administrative systems, controls and other resources. Our existing personnel, systems, procedures and controls may be inadequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of any growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base and maintain close coordination among our technical, accounting, finance, marketing and sales staff. We may be unable to do this. To the extent we acquire or merge with other businesses, we will also need to integrate and assimilate new operations, technologies and personnel. We may not have the experience or resources to do this. If we are unable to adequately manage future growth, our operating results may suffer.

Because our technology, products, platform, and services are complex and are deployed in and across complex environments, they may have errors or defects that could seriously harm our business.

Our technology, products, platform, and services are highly complex and are designed to operate in and across data centers, numerous large and complex networks, and other elements of the Digital Broadcasting Workflow that we do not own or control. From time to time, we have needed to correct errors and defects in our software. In the future, there may be additional errors and defects in our software that may adversely affect our services. We may not have in place adequate quality assurance procedures to ensure that we detect errors in our software in a timely manner. If we are unable to efficiently and cost-effectively fix errors or other problems that may be identified, or if there are unidentified errors that allow persons to improperly access our services, we could experience loss of revenues and market share, damage to our reputation, increased expenses and legal actions by our customers.

We may have insufficient transmission and server capacity, which could result in interruptions in our services and loss of revenues.

Our operations are dependent in part upon transmission capacity provided by third-party telecommunications network providers. In addition, our distributed network must be sufficiently robust to handle all of our customers' web-traffic, particularly in the event of unexpected surges in high-definition video traffic. We may not be adequately prepared for unexpected increases in bandwidth demands by our customers. In addition, the bandwidth we have contracted to purchase may become unavailable for a variety of reasons, including payment disputes or network providers going out of business. Any failure of these network providers to provide the capacity we require, due to financial or other reasons, may result in a reduction in, or interruption of, service to our customers, leading to an immediate decline in revenue and possible additional decline in revenue as a result of subsequent customer losses.

We do not have sufficient capital to engage in material research and development, which may harm our long term growth.

In light of our limited capital, we have made no material investments in research and development over the past several years. This may conserve capital in the short term. In the long term, as a result of our failure to invest in research and development, our technology and product offerings may not keep pace with the market and we may lose any existing competitive advantage. Over the long term, this may harm our revenues growth and our ability to become profitable.

We may acquire businesses or assets, or enter into other business combination transactions, that may be difficult to integrate.

As part of our growth strategy we expect to enter into transactions to acquire companies or a substantial portion of their assets, or to combine our business with theirs. These acquisitions or business combinations involve numerous risks, including each of the following:

- that the combined entity will not perform as well as the separate businesses performed prior to the transaction;
- that anticipated cost savings, cross-marketing to new customers or other anticipated synergies will not be achieved;
- that management resources will be diverted towards negotiating and effecting the acquisition and then integrating the operations and personnel of the acquired business, instead of focusing on our existing business plan and operations;
- that the stock and/or other consideration paid in the transaction will exceed the value of the assets or business acquired;
- that the use of cash as consideration for the transaction will reduce cash that may be needed for operations below necessary levels;
- that if we enter into a transaction, such transaction may delay our ability to raise needed capital on a stand-alone basis while the transaction is underway and not yet consummated, and/or impair the combined company's ability to raise capital in the event the transaction is consummated, and/or accelerate our need for capital as a combined company in the event the transaction is consummated, and the terms of any such capital raise may be onerous, if we are even successful at being able to raise needed capital;
- that we may be assuming potential unknown liabilities of the acquired business; and
- that if we do not consummate such a transaction, we will have expended substantial costs and resources without achieving the anticipated benefit.

Acquisitions or business combinations (or attempted transactions) could have an adverse, rather than a positive, effect on our business, operations and financial results for the reasons set forth above or otherwise.

The markets in which we operate are rapidly emerging, and we may be unable to compete successfully against existing or future competitors to our business.

The market in which we operate is becoming increasingly competitive. Our current competitors generally include operators within the digital media stack, who offer subcomponents of our digital broadcasting solutions (e.g., CDN providers, CMS companies, hosting, utility computing companies), or integrators and vertical solution providers who develop single implementations of content or digital media distribution, and related Digital Services, to a target Device platform. These competitors, including future new competitors who may emerge, may be able to develop a comparable or superior platform, and/or technology stack, and/or series of services that provide a similar or more robust set of features and functionality than the technology, products and services we offer. If this occurs, we may be unable to grow as necessary to make our business profitable.

Whether or not we have superior products, many of these current and potential future competitors have a longer operating history in their current respective business areas and greater market presence, brand recognition, engineering and marketing capabilities, and financial, technological and personnel resources than we do. Existing and potential competitors with an extended operating history, even if not directly related to our business, have an inherent marketing advantage because of the reluctance of many potential customers to entrust key operations to a company that may be perceived as unproven. In addition, our existing and potential future competitors may be able to use their extensive resources:

- to develop and deploy new products and services more quickly and effectively than we can;
- to develop, improve and expand their platforms and related infrastructures more quickly than we can;
- to reduce costs, particularly transport, storage and processing costs, because of discounts associated with large volume purchases;
- to offer less expensive products, technology, platform, and services as a result of a lower cost structure, greater capital reserves or otherwise;
- to adapt more swiftly and completely to new or emerging technologies and changes in customer requirements;
- to offer bundles of related services that we are unable to offer;
- to take advantage of acquisition and other opportunities more readily; and
- to devote greater resources to the marketing and sales of their products, technology, platform, and services.

If we are unable to compete effectively in our various markets, or if competitive pressures place downward pressure on the prices at which we offer our products and services, our business, financial condition and results of operations may suffer.

Our networks handle personal data, and we may be subject to liability for any loss of such data.

As part of our product offering, we facilitate the billing by our customers of their end customers, including end customers that may purchase products using credit cards or otherwise provide personal financial and other information over our network. Unauthorized access to our platform and underlying infrastructure, including certain servers for example, may jeopardize the security of the personal information stored in our computer systems and our customers' computer systems. If this occurs, we may be liable to our customers, and we may lose customers or future customers, as a result of the reputational harm associated with such a breach.

Our business operations are susceptible to interruptions caused by events beyond our control.

Our business operations are susceptible to interruptions caused by events beyond our control. We are vulnerable to the following potential problems, among others:

- Our platform, technology, products, and services and underlying infrastructure, or that of our key suppliers, may be damaged or destroyed by events beyond our control, such as fires, earthquakes, floods, power outages or telecommunications failures. Our operations are particularly susceptible to interruption from any of the foregoing because many of our servers and much of our infrastructure is located in Southern California, which is prone to the occurrence of the foregoing events.
- We and our customers and/or partners may experience interruptions in service as a result of the accidental or malicious actions of Internet users, hackers or current or former employees.
- We may face liability for transmitting viruses to third parties that damage or impair their access to computer networks, programs, data or information. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to our customers.
- Failure of our systems or those of our suppliers may disrupt service to our customers (and from our customers to their customers), which could materially impact our operations (and the operations of our customers), adversely affect our relationships with our customers and lead to lawsuits and contingent liability.

The occurrence of any of the foregoing could result in claims for consequential and other damages, significant repair and recovery expenses and extensive customer losses and otherwise have a material adverse effect on our business, financial condition and results of operations.

Our governance documents limit the liability of our officers and directors and require us to indemnify them under many circumstances.

Our articles of incorporation and bylaws have provisions designed to limit liability of our officers and directors to the Company and its shareholders with respect to any errors of judgment committed by our officers and directors. This likely will limit the recourse that the shareholders might otherwise have against our management in the event of its mismanagement of the Company. Corporate documents require that the Company indemnify our officers and directors to the maximum extent permitted by law. While the Company has officers and directors' liability insurance, a successful claim for such indemnification which is not covered under such insurance would deplete our assets by the amount paid and would harm our financial condition.

Risks Related to Our Intellectual Property

If the protection of our intellectual property is inadequate, our competitors may gain access to our technology, and our business may suffer.

We depend on our ability to develop and maintain certain proprietary aspects of our products and services. To protect these proprietary products and services, we rely primarily on a combination of contractual provisions, confidentiality procedures, trade secrets and common law copyright and trademark principles. Adequate protection of our intellectual property is subject to the following risks:

- We have not applied for a copyright registration or patents with respect to our proprietary rights, and, as a result, we may have limited legal recourse against others who use our technology or similar technology.

- Our claims of proprietary ownership (and related common law copyright assertions) may be challenged or otherwise fail to provide us with the ability to prevent others from copying our technology.
- Our existing trademarks or any future trademarks may be canceled or otherwise fail to provide meaningful protection.
- Counterparties to nondisclosure agreements disclose or use our intellectual property in breach of governing agreements, and our ability to prevent or obtain damages for such breach may be limited by our financial situation, legal restrictions or other issues.
- If we use open source technology, with or without our knowledge, we may become subject to “copyleft” agreements requiring us to license proprietary technology to third parties.

Despite our efforts to protect our proprietary products, technology, platform, and services, unauthorized parties may attempt to copy, obtain or use certain aspects of it for their own benefit or for purposes of damaging our business or reputation. Policing unauthorized use of our products, technology, platform, and services is difficult, and although we are unable to determine the extent to which piracy of our products, technology, platform, and services exists, we expect software piracy to be an ongoing problem.

Third party claims that we infringe upon their intellectual property rights could be costly to defend and/or settle.

Litigation regarding intellectual property rights is common in the Internet and software industries. We expect that Internet technologies and software products and services may be increasingly subject to third-party infringement claims as the number of competitors in our industry grows and the functionality of products, technology, platform, and services in different industry segments overlaps. We may from time to time encounter disputes over rights and obligations concerning intellectual property that we developed ourselves, use or license from third parties, including open source software. Third parties may bring claims of infringement against us, which may be with or without merit. We could be required, as a result of an intellectual property dispute, to do one or more of the following:

- cease selling, incorporating or using services, technology, platform or products that rely upon the disputed intellectual property;
- obtain from the holder of the intellectual property a license to sell or use the disputed intellectual property, which license may not be available on terms acceptable to us or at all;
- redesign services, technology, products, platform or portions of services, technology or products, that incorporate disputed intellectual property;
- pay increased license fees for certain implementations of open source or other third party software licenses which were not anticipated under an existing license or agreement; and
- pay monetary damages to the third party adjudged to be the rightful holder of the intellectual property right.

The occurrence of any of these events could result in substantial costs and diversion of resources or could severely limit the products and/or services we offer, which may seriously harm our business, operating results and financial condition.

In addition, we have agreed, and may agree in the future, to indemnify certain of our customers against claims that our products, technology or services infringe upon the intellectual property rights of others. We could incur substantial costs in defending our customers against infringement claims and ultimately be required to pay substantial monetary damages attributable to the indemnification of our customers in the event of a successful claim of infringement against us or them.

We may be subject to legal liability for providing third-party content.

We have certain arrangements to offer third-party content via certain of our customers' websites. We may be subject to claims concerning this content by virtue of our involvement in marketing, branding, broadcasting or providing access to it, even if we do not ourselves directly host, operate or provide access to these products, services, content or advertising. While our agreements with these parties most often provide that we will be indemnified against such liabilities, such indemnification may not be adequate or available. Investigating and defending any of these types of claims can be expensive, even if the claims do not result in liability. While to date we have not been subject to material claims, if any potential claims do result in liability, we could be required to pay damages or other penalties, or result in other adverse impacts to our business, which could harm our operating results and financial condition.

Risks Related to Our Industry

Certain of our service delivery and content handling services are subject to industry regulations, standards, certifications and/or approvals.

The commercialization of certain of the service delivery and content handling services we provide at times require or are made more costly due to industry acceptance and regulatory processes, such as ISO certification and strict content security handling standards, including rights management and other requirements mandated by media and entertainment studios. If we are unable to obtain or retain these or other formal and informal studio approvals for particular Digital Service implementations, certifications and standards compliance in a timely manner, or at all, our operating results could be adversely affected.

General global market and economic conditions may have an adverse impact on our operating performance and results of operations.

Our business has been and could continue to be affected by general global economic and market conditions. Weakness in the United States and worldwide economy has had and could continue to have a negative effect on our operating results, including a decrease in revenue and operating cash flow. To the extent our customers are unable to profitably monetize the Digital Services and content we deliver on their behalf, they may reduce or eliminate their purchase of our products and services. Such reductions in traffic would lead to a reduction in our revenues. Additionally, in a down-cycle economic environment, we may experience the negative effects of increased competitive pricing pressure, customer loss, slowdown in commerce over the Internet and corresponding decrease in traffic delivered over our network and failures by our customers to pay amounts owed to us on a timely basis or at all. Suppliers on which we rely for servers, bandwidth, co-location and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on our operations or revenues. Flat or worsening economic conditions may harm our operating results and financial condition.

The market for digital broadcasting solutions may not grow at a pace that we anticipated or at levels that allow us to continue to grow.

The market for digital broadcasting solutions is relatively new and evolving. As a result, we cannot be certain that a viable market for our products and services will be sustainable. Factors that may inhibit the growth of this market include:

- Our customers may limit their distribution of digital media and related Digital Services to Devices because of issues related to protection of copyrights, media and entertainment company studio approvals related to content protection, royalty payments to artists and publishers, illegal copying and distribution of data and other intellectual property rights issues.
- Congestion of data networks, or consumer reluctance to purchase high-speed Internet connectivity for their Device, may limit the growth of the distribution of content and related Digital Services to Devices.
- Consumers may determine not to view or access Digital Services on their Devices because of, among other factors, poor reception of the broadcast or other delivery of the services, or the creation or expansion of competing technologies, that provide a similar service at lower cost or with better features.
- New laws and regulations may negatively affect consumers' and businesses' use of the Internet or Devices, thereby reducing demand.

If the market for digital broadcasting solutions does not continue to grow, or grows more slowly than expected, our business, results of operations and financial condition will be significantly harmed.

Risks Related to Our Capital Stock and Capitalization

Our officers and directors have significant voting power and may take actions that may not be in the best interests of other stockholders.

Our executive officers and directors beneficially own approximately 73% of our outstanding common stock. These executive officers and directors effectively control all matters requiring approval by the shareholders, including any determination with respect to the acquisition or disposition of assets, future issuances of securities, and the election of directors. This concentration of ownership may also delay, defer or prevent a change in control and otherwise prevent shareholders other than our affiliates from influencing our direction and future.

Our common stock is quoted on the OTC Bulletin Board, but there is currently only sporadic trading, and even if trading commences on a more regular basis, it is likely to be thin and subject to manipulation.

Our common stock is quoted on the OTC Bulletin board, but there is currently only sporadic trading in our common stock. If trading volume increases, the volume of trading in our common stock is expected to be limited and dominated by a few individuals. In addition, many brokerages are refusing to trade in, or implement substantial restrictions on trading in, stocks that are not listed on an SEC-registered exchange. The limited volume, and trading restrictions, can make the price of our common stock subject to manipulation by one or more stockholders if trading commences and will significantly limit the number of shares that one can purchase or sell in a short period of time. An investor may find it difficult to dispose of shares of our common stock or obtain a fair price for our common stock in the market, if one develops.

We are subject to various regulatory regimes, and may be adversely affected by inquiries, investigations and allegations that we have not complied with governing rules and laws.

In light of our status as a public company and the early stage of our business, we are subject to a variety of laws and regulatory regimes in addition to those applicable to all businesses generally. For example, we are subject to the reporting requirements applicable to United States reporting issuers, such as the Sarbanes-Oxley Act of 2002, and certain state and provincial securities laws. In addition, because we are in an early stage of development and intend on issuing securities to raise capital and use acquisitions for growth, our actions will be governed by state and federal securities laws and laws governing the issuance of securities, which are complex. In connection with such laws, we may be subject to periodic audits, inquiries and investigations. Any such audits, inquiries and investigations may divert considerable financial and human resources and adversely affect the execution of our business plan.

Through such audits, inquiries and investigations, we or a regulator may determine that we are out of compliance with one or more governing rules or laws. Remedying such non-compliance diverts additional financial and human resources. In addition, in the future, we may be subject to a formal charge or determination that we have materially violated a governing law, rule or regulation. We may also be subject to lawsuits as a result of alleged violation of the securities laws or governing corporate laws. Any charge or allegation, and particularly any determination, that we had materially violated a governing law would harm our ability to enter into business relationships, recruit qualified officers and employees and raise capital.

The market price of our common stock may be harmed by our need to raise capital.

We need to raise additional capital in the near future and expect to raise such capital through the issuance of common stock and other rights with respect to common stock. Because securities in private placements and other transactions by a company are often sold at a discount to market prices, this need to raise additional capital may harm the market price of our common stock, to the extent that a market develops. In addition, the re-sale of securities issued in such capital-raising transactions, whether under Rule 144 or otherwise, may harm the market price of our common stock.

If a market develops for our common stock, we expect the market price to be volatile.

The market prices of securities of other smaller companies tend to be highly volatile. If a market develops for our common stock, of which there can be no assurance, our stock price may change dramatically as the result of announcements of our quarterly results, the rate of our expansion, significant litigation or other factors or events that would be expected to affect our business or financial condition, results of operations and other factors specific to our business and future prospects. In addition, the market price for our common stock may be affected by various factors not directly related to our business, including the following:

- intentional manipulation of our stock price by existing or future stockholders;
- short selling of our common stock or related derivative securities;
- a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of our shares;
- the interest, or lack of interest, of the market in our business sector;
- the adoption of governmental regulations and similar developments in the United States or abroad that may affect our ability to offer our products and services or affect our cost structure; and
- economic and other external market factors, such as a general decline in market prices due to poor economic indicators or investor distrust.

Our ability to issue Preferred Stock and common stock may significantly dilute ownership and voting power, negatively affect the price of our common stock and inhibit hostile takeovers.

Under our Articles of Incorporation, we are authorized to issue up to 10,000,000 million shares of Preferred Stock and 90,000,000 million shares of common stock without seeking stockholder approval. Any issuance of such Preferred Stock or common stock would dilute the ownership and voting power of existing holders of our common stock and may have a negative effect on the price of our common stock. The issuance of Preferred Stock without stockholder approval may also be used by management to stop or delay a change of control, or might discourage third parties from seeking a change of control of our company, even though some stockholders or potential investors may view possible takeover attempts as potentially beneficial to our stockholders.

Our common stock is a “low-priced stock” and subject to regulations that limits or restricts the potential market for our stock.

Shares of our common stock are “low-priced” or “penny stock,” resulting in increased risks to our investors and certain requirements being imposed on some brokers who execute transactions in our common stock. In general, a low-priced stock is an equity security that:

- Is priced under five dollars;
- Is not traded on a national stock exchange, such as NASDAQ or the NYSE;
- Is issued by a company that has less than \$5 million in net tangible assets (if it has been in business less than three years) or has less than \$2 million in net tangible assets (if it has been in business for at least three years); and
- Is issued by a company that has average revenues of less than \$6 million for the past three years.

We believe that our common stock is presently a “penny stock.” At any time the common stock qualifies as a penny stock, the following requirements, among others, will generally apply:

- Certain broker-dealers who recommend penny stock to persons other than established customers and accredited investors must make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to a transaction prior to sale.
- Prior to executing any transaction involving a penny stock, certain broker-dealers must deliver to certain purchasers a disclosure schedule explaining the risks involved in owning penny stock, the broker-dealer’s duties to the customer, a toll-free telephone number for inquiries about the broker-dealer’s disciplinary history and the customer’s rights and remedies in case of fraud or abuse in the sale.

- In connection with the execution of any transaction involving a penny stock, certain broker-dealers must deliver to certain purchasers the following:
 - bid and offer price quotes and volume information;
 - the broker-dealer's compensation for the trade;
 - the compensation received by certain salespersons for the trade;
 - monthly accounts statements; and
 - a written statement of the customer's financial situation and investment goals.

We have never paid, and do not intend to pay in the future, dividends on our common stock.

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. It is unlikely that investors will derive any current income from ownership of our stock. This means that the potential for economic gain from ownership of our stock depends on appreciation of our stock price and will only be realized by a sale of the stock at a price higher than the purchase price.

We do not have significant tangible assets that could be sold upon liquidation.

We have nominal tangible assets. As a result, if we become insolvent or otherwise must dissolve, there will be no tangible assets to liquidate and no corresponding proceeds to disburse to our shareholders. If we become insolvent or otherwise must dissolve, shareholders will likely not receive any cash proceeds on account of their shares.

Risks Associated with Broadcast Merger

The proposed Broadcast Merger may not be consummated because of alleged breaches of representations and warranties.

On February 6, 2013, after having conducted further due diligence, we provided written notice of our belief that certain material representations and warranties in the Broadcast Merger Agreement with Broadcast International were inaccurate when made and threatened to terminate the Broadcast Merger Agreement if certain issues were not addressed. The parties are making progress on addressing those issues, but the resolutions of the issues is not entirely within the parties' control, and requires consents, concessions and other actions from third parties. There is a reasonable possibility that the issues identified by us will not be resolved and that, as a result, the transaction will not move forward. It is also possible that either we or Broadcast International will identify and allege additional breaches of representations, warranties or covenants that will prevent the Broadcast Merger from closing. If the Broadcast Merger does not close, we will not receive any of the anticipated benefits from the Broadcast Merger. In addition, it is possible that litigation or other claims will emerge between the parties.

The proposed Broadcast Merger may not be consummated because of the failure of one of the parties to satisfy closing conditions.

Even if all alleged breaches of representations and warranties are resolved, the Broadcast Merger may not close because of a failure of one or more of the parties to satisfy closing conditions. It is possible that any of the conditions will not be satisfied and, as a result, the parties will not close. Conditions that management believes present particular risks include the following:

- the shareholders of both parties must vote upon, and approve the Broadcast Merger Agreement and the Broadcast Merger;

- the number of shares of our common stock dissenting from the Broadcast Merger must be less than 1.5% of our outstanding common stock and the number of shares of Broadcast International common stock dissenting from the Broadcast Merger shall be less than 3% of the of the outstanding Broadcast common stock;
- the adjusted working capital of Broadcast International immediately prior to the closing of the Broadcast Merger must be equal to or greater than a deficit of \$1 million, which will require the raising of additional capital by Broadcast International;
- the shareholders of Broadcast International must approve a reverse stock split;
- Broadcast International must eliminate all indebtedness, other than indebtedness that converts to equity upon closing of the Broadcast Merger;
- the number of securities convertible into Broadcast International common stock, with certain exceptions, must be reduced to 2 million or less;
- Broadcast International's monthly net cash flow for the preceding 30 days must be equal to or greater than \$50,000; and
- certain pending legal proceedings and related issues must be resolved.

If all of the conditions to closing are not satisfied, or waived by the other party to the Broadcast Merger Agreement, the Broadcast Merger will not close. If it does not close, we will not receive expected benefits from the Broadcast merger.

The combined company may not achieve strategic objectives, anticipated synergies and other potential benefits of the Broadcast Merger.

We expect to realize strategic, financial and operating benefits over the long term as a result of the Broadcast Merger. However, we cannot predict the extent to which these benefits will actually be achieved or the timing of any such benefits. Some problems we may encounter that may prevent the combined company from realizing these benefits, including the following:

- the possible inability of the combined company to consolidate and rationalize product lines, supply chains, administrative functions, sales and marketing teams and/or research and development efforts to the degree, or within the time period, expected;
- the possible inability of the combined company to attract customers for its product lines;
- the possible inability of the combined company to maintain its service, sales and administrative efforts while consolidating operations and reducing costs;
- unfavorable reaction to the Broadcast Merger by the combined company's customers and suppliers; and
- any failure in coordinating and rationalizing research and development activities to enhance introduction of new products and technologies with reduced cost.

The integration of our company with Broadcast International will be a complex, time consuming and expensive process. It is not certain that the two companies can be successfully integrated in a timely manner or at all or that any of the anticipated benefits will be realized. Failure to do so could have a material adverse effect on the revenues, expenses and the operating results and cash resources of the combined company and could result in the combined company not achieving the anticipated potential benefits of the Broadcast Merger.

Whether or not the Broadcast Merger closes, it will to diver divert management's attention away from our operations.

Negotiation of the Broadcast Merger consumed significant executive and other resources , and addressing due diligence and pre-closing matters continues to consume executive time and financial resources. Even if the Broadcast Merger does not close, it will have diverted, and will continue to divert for some time, limited management, financial and other resources.

If the Broadcast Merger closes, successful integration of our and Broadcast International's operations, products and personnel may place a significant burden on our executives, as they become the executives of the surviving corporation. The diversion of management attention and any difficulties encountered in the transition and integration process could harm our, or the surviving corporation's, business, financial condition and operating results.

The ownership and voting interests of our stockholders will be diluted as a result of the Broadcast Merger

After the Broadcast Merger, our stockholders who receive Broadcast International common stock in the Broadcast Merger are expected to represent approximately 54% of the outstanding Broadcast International common stock (assuming the exercise or conversion of warrants, options and other derivative securities except for specified warrants) immediately following the consummation of the Broadcast Merger. After the Broadcast Merger, stockholders of Broadcast International immediately prior to the effective time are expected to own approximately 46% of the aggregate number of outstanding shares of the common stock of the combined company (assuming the exercise or conversion of warrants, options and other derivative securities except for specified warrants) Our shareholders will own, on a percentage basis, approximately one-half the percentage they own in the Company. The combined company will likely be required to raise capital in order to finance operations following the closing of the Broadcast Merger, which will likely result in additional dilution to stockholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, we are not required to provide information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

(a) Based on their evaluation as of March 31, 2013, which is the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act) are effective, based upon an evaluation of those controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 of the Exchange Act.

(b) There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. Risk Factors

As a smaller reporting company, the Company is not required to provide the information required by this Item; however, certain risk factors are identified under the title “Risk Factors” as part of Part I, Item 2.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) See Exhibit Index attached hereto following the signature page.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLDIGITAL HOLDINGS, INC.

May 15, 2013

Date

By: /s/ Paul Summers

Paul Summers,
Chief Executive Officer

May 15, 2013

Date

By: /s/ John Walpuck

John Walpuck,
Chief Financial Officer

Exhibit 31.1 Index

<u>Exhibit No.</u>	<u>Exhibit</u>	<u>Incorporated by Reference/Filed Herewith</u>
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer	Filed herewith
32.2	Section 1350 Certification of Chief Financial Officer	Filed herewith
101	XBRL (eXtensible Business Reporting Language). The following materials from AllDigital Holdings, Inc's Quarterly Report on Form 10-Q for the period ended March 31, 2013, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, and (iv) Consolidated Statements of Stockholders' Equity, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text. As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purpose of Sections 11 and 12 of the Securities Act and Section 18 of the Exchange Act.	Filed herewith

CERTIFICATION

I, Paul Summers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 of AllDigital Holdings, Inc.
2. Based on my knowledge, this 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(s) 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(s) 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.

Dated: May 15, 2013

/s/ Paul Summers

Paul Summers
Chief Executive Officer

CERTIFICATION

I, John Walpuck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 of AllDigital Holdings, Inc.;
2. Based on my knowledge, this 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(s) 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(s) 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.

Dated: May 15, 2013

/s/ John Walpuck

John Walpuck
Chief Operating Officer and
Chief Financial Officer

**ALLDIGITAL HOLDINGS, INC.
CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Paul Summers, Chief Executive Officer of AllDigital Holdings, Inc. (the "Company"), hereby certify pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2013

/s/ Paul Summers

Paul Summers
Chief Executive Officer

**ALLDIGITAL HOLDINGS, INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, John Walpuck, Chief Financial Officer of AllDigitalHoldings, Inc. (the "Company"), hereby certify pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that to my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2013

/s/ John Walpuck

John Walpuck
Chief Operating Officer and
Chief Financial Officer
