ALLDIGITAL HOLDINGS, INC.
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **March 31, 2012**

[ ] 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	**20-5354797**
(State or other jurisdiction	(I.R.S. Employer
of incorporation or organization)	Identification No.)
220 Technology Drive Suite 100, Irvine, California	**92618**

(Address of principal executive offices) (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 [X] 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 [X] 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 [ ] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

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

As of May 15, 2012, there were 25,390,728 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 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, 2012 (unaudited)	**December 31, 2011**
ASSETS		
Current Assets		
Cash and cash equivalents	$911,392	$998,853
Accounts receivable, net of allowance of $34,072 and $0	25,202	109,556
Deferred costs	14,360	11,680
Prepaid expenses and other current assets	77,878	38,999
Total current assets	1,028,832	1,159,088
Property and Equipment, net	92,196	88,467
Other Assets		
Deposits	11,164	11,164
Intangibles – domain name	11,250	11,250
Total assets	$1,143,442	$1,269,969
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$460,373	$289,302
Deferred revenue	211,923	212,781
Total current liabilities	672,296	502,083
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, 25,390,728 and 25,390,728 issued and outstanding, respectively	25,391	25,391
Additional paid-in capital	2,043,147	1,990,528
Accumulated deficit	(1,597,392)	(1,248,033)
Total stockholders' equity	471,146	767,886
Total liabilities and stockholders' equity	$1,143,442	$1,269,969

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended March 31,	
	2012	2011
Net sales	$951,849	$439,829
Cost of sales	643,279	271,315
Gross profit	308,570	168,514
Operating expenses		
Selling, marketing, and advertising	186,479	32,170
General and administrative	469,495	136,122
Total operating expenses	655,974	168,292
Income (loss)	(347,404)	222
Other income (expense)		
Interest income	445	166
Interest expense	-	(9,475)
Total other income (expense)	445	(9,309)
Loss before provision for income taxes	(346,959)	(9,087)
Provision for income taxes	2,400	800
Net loss	$(349,359)	$(9,887)
Basic and diluted net loss per share	$(0.01)	$(0.00)
Basic and diluted weighted-average shares outstanding	25,390,278	18,000,000

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Three Months Ended March 31,	
	2012	2011
Cash Flows From Operating Activities		
Net loss	$(349,359)	$(9,887)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,064	508
Stock based compensation	50,069	-
Provision for doubtful accounts	34,072	-
Warrants issued for services	2,550	-
Stock and warrants issued for services	-	-
Changes in operating assets and liabilities:		
Accounts receivable	50,282	12,108
Deferred costs	(2,680)	(38,119)
Prepaid expenses and other current assets	(38,879)	(230)
Deferred revenue	(857)	32,563
Accounts payable and accrued expenses	171,070	55,452
Net cash provided by (used in) operating activities	(74,668)	52,395
Cash Flows From Investing Activities		
Purchase of property and equipment	(12,793)	-
Net cash used in investing activities	(12,793)	-
Cash Flows From Financing Activities		
Proceeds from issuance of notes payable – bridge	-	200,000
Net cash provided by financing activities	-	200,000
Net Increase (Decrease) in Cash and Cash Equivalents	(87,461)	252,395
Cash and Cash Equivalents – beginning of period	998,853	267,981
Cash and Cash Equivalents – end of period	$911,392	$520,376
Supplemental disclosures of cash flow information:		
Interest paid	$-	$160
Income taxes paid	$2,400	$800

See accompanying notes to these unaudited consolidated financial statements.

Supplemental schedule of noncash investing and financing activities:

During the three months ended March 31, 2012 and 2011, 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 developing the first comprehensive offering of software tools and back-end services dedicated to managing the complex pairing of cloud-based digital media and digital services with Internet-connected devices.

Our products and services provide the software tools and back-end services required by content owners and providers of digital services to manage and optimize the ongoing pairing of digital media and digital services with an increasingly diverse and complex offering 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 primarily targets content owners and providers of digital services that need to distribute their digital media and digital services to a large, increasingly fragmented, and rapidly growing market of diverse devices operating on a number of different device platforms.

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 Media i/o platform and other products, (ii) the ability to commercialize our portfolio of products to content owners, digital services providers, and other enterprises, and (iii) our ability to develop channel and other partnerships with other organizations within and outside the digital media services industry. There can be no assurance that we will not encounter setbacks related to these activities.

In November 2010, AllDigital commenced an offering of up to $500,000 in convertible promissory notes (the “Notes”) in a bridge financing in order to raise funds primarily to pay the legal, audit and other transaction costs directly related to a merger (the “Merger”) with Aftermarket Enterprises, Inc. (“Aftermarket”), a fully reporting company quoted on the OTC Bulletin Board (but not actively traded). Following consummation of the Merger, AllDigital’s shareholders held a majority of the outstanding capital stock of Aftermarket. In connection with the Merger, Aftermarket (which was the surviving company in the Merger and subsequently renamed AllDigital Holdings, Inc.), also conducted an offering to raise approximately $1,000,000 in aggregate proceeds (including the Notes). As of December 31, 2010, AllDigital raised $500,000 in Notes through the bridge financing. On July 29, 2011, the Merger was consummated and Aftermarket acquired all of the assets and operations of AllDigital (See Note 10), including the conversion of the $500,000 in Notes plus accrued interest.

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 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.

Although from a legal perspective, Aftermarket acquired AllDigital in the Merger, from an accounting perspective, the Merger is viewed as a reverse acquisition whereby AllDigital acquired the assets of Aftermarket. The transaction is equivalent to the issuance of common stock by AllDigital for the net assets of Aftermarket. The Merger is viewed as a reverse acquisition because post-Merger AllDigital’s shareholders own approximately 73% of the outstanding shares of Aftermarket, AllDigital’s directors and officers now serve as the directors and officers of the Company, and the operations of AllDigital is the ongoing business of the Company. The statement of stockholders’ deficit has been restated to retroactively reflect the number of shares of AllDigital, using the capital structure of Aftermarket and to present the accumulated deficit of AllDigital as of the date of the Merger. The value of the consideration transferred in the Merger ($769,182) was determined using the guidance of ASC 805-40-30. Amounts acquired by the Company were comprised of $1,700 cash and the assumption of $23,270 of liabilities. The Company determined that the value of the intangible assets identified and unidentified was $0. As such, the Company recorded a charge of $790,840 to its consolidated statement of operations relating to the reverse acquisition because the value of the consideration in excess of the value of the assets acquired was akin to organization costs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The condensed financial statements reflect all normal recurring adjustments, which, in the opinion of management, are considered necessary for a fair presentation of the results of the periods shown. The results of operations for the periods presented are not necessarily indicative of the results expected for the full fiscal year or any future period. The information included in these unaudited condensed financial statements should be read in conjunction with the Company’s audited financial statements for the fiscal year ended December 31, 2011, included in Form 10-K filed on March 30, 2012.

Use of Estimates

The accompanying financial statements are prepared in conformity with U.S. GAAP and require management to make estimates 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, 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.

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

In the future, certain of the Company's customer contracts may include revenue arrangements that may consist of multiple product and service deliverables. Such contracts will be 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.

Certain of the Company’s customer contracts are also for a variety of recurring monthly maintenance and support services following the on-boarding process. Revenue is recognized on a monthly basis over the life of such contracts.

Revenue from certain design and development contracts, where the product is designed, developed or modified to the customer’s specifications, are recognized on a percentage of completion basis in accordance with ASC 605-35 based on the estimated costs incurred compared to total estimated costs, when such costs can be reasonably estimated.

The Company typically charges platform management fees, as well as monthly recurring charges for our back-end storage, 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 customer contracts may vary. Monthly recurring revenues are recognized ratably over the period in which they are delivered and earned. Non-recurring revenues typically come from custom “on-boarding” services such as technical consulting, custom software application and/or digital service development, and general setup and testing costs to prepare a digital service for launch and distribution to one or more Internet-connected Devices.

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 $34,072 at March 31, 2012 and $0 at December 31, 2011. 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, 2012, the Company had 847,222 options and 3,892,274 warrants that could potentially dilute the number of shares outstanding. At March 31, 2011, the Company had no options and no warrants that could potentially dilute the number of shares outstanding.

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:

Level Input:	Input Definition:
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 I, 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, 2012 and December 31, 2011 were cash and cash equivalents that 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, 2012 and 2011.

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 May 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-04, *Fair Value Measurement* ("ASU 2011-04"), which amended ASC 820, *Fair Value Measurements* ("ASC 820"), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles, clarifies the

application of existing fair value measurement and expands the disclosure requirements. ASU 2011-04 will be effective for us beginning January 1, 2012. The adoption of ASU 2011-04 is not expected to have a material effect on our consolidated financial statements or disclosures.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and more disaggregation for the different types of financial instruments. This ASU is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. Comparative disclosures are not required in the first year the disclosures are required. The Company did not have any significant transfers in or out of Level 1 and Level 2 fair value measurements during the nine months ended September 30, 2011 and the new Level 3 disclosures did not have a material impact on our financial statements.

In August 2009, the FASB issued ASU 2009-15, which changes the fair value accounting for liabilities. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 input fair value measurements. This ASU became effective for the Company on January 1, 2010. Adoption of this ASU did not have a material impact on the Company's financial statements.

In June 2009, the FASB issued accounting guidance contained within ASC 810, Consolidation ("ASC 810"), regarding the consolidation of variable interest entities (formerly SFAS No. 167, Amendments to FASB Interpretation No. 46(R)). ASC 810 is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities and by requiring additional disclosures about a company's involvement in variable interest entities. This standard is effective for interim and annual periods beginning after November 15, 2009. The Company's adoption of this ASC on January 1, 2010 had no material impact on the Company's financial statements.

In June 2009, the FASB issued ASC 860, Transfers and Servicing ("ASC 860"), (formerly SFAS No. 166, Accounting for Transfers of Financial Assets). ASC 860 requires more information about transfers of financial assets and where companies have continuing exposure to the risk related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosure. This standard is effective for interim and annual periods beginning after November 15, 2009. The Company adopted this standard on January 1, 2010. The adoption of this standard had no material impact on the Company's financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2012 and December 31, 2011 consisted of the following:

	March 31, 2012 (unaudited)	December 31, 2011
Furniture and fixtures	$ 10,446	$ 5,451
Computer equipment	62,081	56,332
Software	45,833	45,833

Signs	2,050	-
Less accumulated depreciation and amortization	(28,214)	(19,149)
	$ 92,196	$ 88,467

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NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of March 31, 2012 and December 31, 2011 consisted of the following:

	March 31, 2012 (unaudited)	December 31, 2011
Accounts payable	$ 227,965	$ 108,222
Accrued personnel costs	204,061	170,365
Accrued professional fees	19,627	6,604
Other	8,720	4,111
	$ 460,373	$ 289,302

NOTE 5 - LEASE OBLIGATIONS

On August 28, 2009, the Company entered into a three-year Lease Agreement for the lease of office space at 2821 McGaw Avenue, Irvine, California, 92614, which was used as corporate offices. The lease commenced on September 15, 2009, and terminated on December 31, 2011, as the Company moved into another facility owned by the same landlord. Pursuant to the terms of the lease, monthly rent paid was $3,826.

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.

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.

Rent expense for the three months ended March 31, 2012 and 2011 was $44,281 and $11,187, respectively.

Future minimum lease payments under operating leases at March 31, 2012 are:

Year ended March 31,	
2013	$171,283
2014	$173,788
2015	$120,122
Total	$465,193

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

In August 2009, AllDigital issued 20,000,000 shares of $0.0001 par value common stock to two of AllDigital's founders for $2,000 cash. In September 2009, AllDigital issued 10,000,000 shares of $0.0001 common stock to another of AllDigital's founders for $1,000 cash.

In July 2011, AllDigital converted 30,000,000 shares of $0.0001 par value common stock to 18,000,000 shares of $0.001 par value common stock in the Merger with Aftermarket. Aftermarket had 3,076,996 shares of common stock as of date of the Merger. 190,000 shares of common stock were issued in July 2011 to an officer in payment of an accrued liability to the officer. $500,000 in Notes and $28,582 in related accrued interest expense were converted to 1,057,166 units in the offering (the "Units"), consisting of 2,114,332 shares of common stock and 1,057,166 warrants, in July 2011 in connection with the offering. 963,300 Units, consisting of 1,926,600 shares of common stock and 963,300 warrants, were issued in July 2011 in the offering for $481,650 cash in connection with the Merger (see Note 10). 40,000 shares of common stock along with 20,000 warrants were issued in August 2011 for outside services of $10,000. 42,800 shares of common stock along with 21,400 warrants were issued in September 2011 to the former president of Aftermarket in payment of a note payable of $10,700.

Stock Options

On July 28, 2011, AllDigital adopted, and in the 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. 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. 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 are exercisable for up to ten years.

During the three months ended March 31, 2012, the Company issued 165,000 options under the Plan to certain employees. During the three months ended March 31, 2012, 85,000 options were forfeited.

As of March 31, 2012, there were 4,070,000 shares of common stock available for grant under the Plan.

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

	Shares	Weighted-average exercise price	Average remaining contractual term - years	Aggregate intrinsic value
Outstanding, December 31, 2011	4,350,000	$ 0.25	9.63	
Granted	165,000	$ 0.25	9.84	
Forfeited	(85,000)	$ 0.25	—	—
Outstanding, March 31, 2012	4,430,000	$ 0.25	9.40	—
Exercisable: March 31, 2012	847,222	$ 0.25	9.33	—

A summary of the status of the Company's nonvested options and changes during the three months ended March 31, 2012, is presented below:

Nonvested Options	Shares	Weighted-average

		grant-date fair value
Nonvested at December 31, 2011	3,679,861	$ 0.17
Granted	165,000	$ 0.17
Forfeited	(85,000)	$ 0.17
Vested	(177,083)	$ 0.17
Nonvested at March 31, 2012	3,582,778	$ 0.17

As of March 31, 2012, there was $609,072 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 3.10 years. The total fair value of options vested during the three months ended March 31, 2012 was $30,104. The aggregate intrinsic value of the options expected to vest in the future was $0.

Warrants

In July 2011, the Company issued 963,300 warrants as part of the Units sold in a $481,650 offering. In July 2011, the Company issued 1,057,166 warrants as part of the Units in conversion of $500,000 bridge notes payable and $28,582 related accrued interest expense. In July 2011, the Company issued 95,000 warrants to an officer as part of the Units as payment for $47,500 accrued expenses. In July 2011, the Company issued 60,000 warrants to a consultant as part of a payment for an accrued expense. In July 2011, the Company issued 45,000 warrants to a consultant as part of a payment for an accrued expense. In August 2011, the Company issued 20,000 warrants to a consultant as part of a payment for $10,000 of accrued expenses. In August 2011, the Company issued 45,000 warrants to a consultant as part of a payment for an accrued expense. In September 2011, the Company issued 21,400 warrants to the former owner of Aftermarket Enterprises as part of a payment for a $10,700 note payable. In September 2011, the Company issued 45,000 warrants to a consultant as part of a payment for an accrued expense. In October 2011, the Company issued 1,525,408 warrants to the pre-merger Aftermarket Enterprises stockholders. In October 2011, the Company issued 15,000 warrants to a consultant as part of a payment for an accrued expense. As of March 31, 2012, no warrants had been exercised, and all warrants were outstanding.

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

	Shares	Weighted-average exercise price
Outstanding – December 31, 2011	3,892,274	$ 0.49
Granted	-	-
Forfeited	-	-
Exercised	-	-
Outstanding – March 31, 2012	3,892,274	$ 0.49
Exercisable – March 31, 2012	3,892,274	$ 0.49

The following table summarizes information about warrants outstanding at March 31, 2012:

Outstanding				Exercisable	
Range of exercise prices	Number of warrants outstanding	Weighted-average remaining contractual life (in years)	Weighted-average exercise price	Number of warrants exercisable	Weighted-average exercise price
$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
$0.25 - $0.50	3,892,274	2.53	$ 0.49	3,892,274	$ 0.49

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, 2012 and December 31, 2011, the valuation allowance for deferred tax assets totaled approximately $355,600 and $238,500, respectively. For the three months ended March 31, 2012, the increase in the valuation allowance was $117,100.

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, 2012, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $830,500 and $765,600, respectively, which expire through 2031. 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, 2012 and December 31, 2011, 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, 2012 and December 31, 2011, two and four customers accounted for 90% and 98% of the outstanding accounts receivable, respectively.

For the three months ended March 31, 2012 and 2011, three and two customers accounted for 74% and 82% of total revenue, respectively.

Major Vendors

At March 31, 2012 and December 31, 2011, two and four vendors accounted for 87% and 87% of the outstanding accounts payable, respectively.

For the three months ended March 31, 2012 and 2011, three and three vendors accounted for 78% and 96% 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, 2012, the Company’s uninsured cash was $491,386.

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, 2012 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 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.

On May 14, 2012, the Company issued an aggregate of 550,000 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" or similar wo 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.

Aftermarket Enterprises, Inc. ("Aftermarket" with reference to periods or operations prior to the Merger; "AllDigital Holdings" for periods following the Merger") acquired all of the assets and operations of AllDigital, Inc. ("AllDigital") in a reverse triangular merger (the "Merger") that was effected on July 29, 2011. Effective August 25, 2011, Aftermarket Enterprises name was changed to AllDigital Holdings, Inc. AllDigital, Inc. is now AllDigital Holdings, Inc.'s wholly-owned operating subsidiary. 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 sold the automotive accessories business to the former president of Aftermarket.

In this section, AllDigital Holdings and AllDigital, as a consolidated entity going forward (without Aftermarket's auto accessories business), are referred to as the "**Company**", "**we**" or "**us**". To the extent we need to distinguish the separate corporate histories, businesses or financial results of the two entities, we refer to Aftermarket or AllDigital individually.

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, game consoles, televisions, home theatre systems, streaming players, "smart" appliances, and digital signage.

“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. Examples of Digital Services including NetFlix’s Movies On-Demand, Google Maps, Pandora Radio, Amazon’s Kindle, and Facebook.

“Pairing” is the process of setting-up and managing the ongoing data exchange between a Digital Service and a Device. Pairing includes not only the initial process of ensuring the compatibility of the Digital Service with one or more Devices 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, and dynamic updates;

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- o procuring and managing high-speed and scalable cloud-based storage;
- o applying real-time business rules, work flows, and processes to data assets (e.g., such as converting master video files into formats compatible with the target Device) and Digital Services (e.g., user authentication); and
- o acting as the origin for data exchange between the Digital Service and Device.

AllDigital Overview

AllDigital was incorporated in the State of California on August 3, 2009 with the primary purpose of developing the first comprehensive offering of software tools and back-end services dedicated to managing the complex Pairing of cloud-based digital media and Digital Services with Internet-connected Devices.

Our products and services provide the software tools and back-end services required by content owners and providers of Digital Services to manage and optimize the ongoing Pairing of digital media and Digital Services with an increasingly diverse and complex offering 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 primarily targets content owners and providers of Digital Services that need to distribute their digital media and Digital Services to a large, increasingly fragmented, and rapidly growing market of diverse Devices operating on a number of different Device platforms.

For the first three months of 2012, we have continued to expand existing customer relationships, established new customer relationships through word of mouth and partner referrals, continued to develop and mature different elements of the Media i/o platform and overall product portfolio, and worked with selected customers on novel digital media and Digital Service to Device implementations.

General Outlook

Since our inception, there has been significant and growing interest in our services.

We recognized $951,849 in revenues for the three months ended March 31, 2012, compared to $439,829 in revenues for the same period in 2011.

Each of our customers has directly or indirectly contributed to the initial design requirements, market validation, and early stage funding of the pilot version of our Media i/o platform and related service offering, and have enabled us to fund our operations without third party investment prior to the closing of the Merger and related offering. Our customers to date have largely been a result of direct sales, word of mouth, or partner referrals.

We believe Digital Services are not only rapidly proliferating, but are becoming increasingly critical to enterprise core business applications, implemented to achieve a wide variety of objectives, driving new business models and business strategies, and changing the way AllDigital's customers store and originate data and software applications.

Many of the Digital Service and App pioneers (such as Facebook, Netflix and Pandora) have made, and must continue to make, significant, ongoing investments in order to keep their services Paired to hundreds of different types of Devices. Smaller and emerging companies typically lack the scale and expertise to compete. AllDigital was founded to enable its customers to outsource the complex process of Pairing a Digital Service to a Device to a trusted, third party service provider.

We expect that the need for Digital-Service-to-Device software tools and back-end services 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 also believe the growth of the Digital Services market will not be sustainable without the creation of third party service providers that offer to market players the software tools and back-end services necessary to the ongoing Pairing of reliable, secure and high-speed Digital Services to various Devices and Device platforms.

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 Media i/o platform and other products, (ii) the ability to commercialize our portfolio of products to content owners, Digital Services providers, and other enterprises, and (iii) our ability to develop channel and other partnerships with other organizations within and outside the digital media services industry. We may encounter setbacks related to these activities.

Results of Operations – Quarters Ended March 31, 2012 and 2011

The following discussions are based on the consolidated balance sheets as March 31, 2012 (unaudited) and December 31, 2011 and statement of operations for the three months ended March 31, 2012 and 2011(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, 2012 (Unaudited) Compared to Three Months Ended March 31, 2011 (Unaudited)

	For the three months ended March 31, 2012	2011	Dollar variance favorable **(unfavorable)**	% variance favorable (unfavorable)
Net sales	$951,849	$439,829	$ 512,020	116.4 %
Cost of sales	643,279	271,315	(371,964)	(137.1)%
Gross profit	308,570	168,514	140,056	83.1 %
Operating expenses				
Selling, marketing and advertising	186,479	32,170	(154,309)	(479.7)%
General and administrative	469,495	136,122	(333,373)	(244.9)%
Total operating expenses	655,974	168,292	(487,682)	(289.8)%
Income (loss)	(347,404)	222	(347,626)	(156,588.3)%
Other income (expense)				
Interest income	445	166	279	168.1 %
Interest expense	-	(9,475)	9,475	-
Total other income (expense)	445	(9,309)	9,754	104.8 %
Loss before provision for income taxes	(346,959)	(9,087)	(337,872)	(3,718.2)%
Provision for income taxes	2,400	800	(1,600)	(200.0)%
Net loss	$(349,359)	$(9,887)	$ (339,472)	(3,433.5)%

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Net Sales. Net sales increased by $512,020, or 116% in the first quarter of 2012 compared to the first quarter of 2011, primarily due to recognition of percentage of completion related to our contracts with four of our largest customers, completion of projects with new customers, and recurring monthly maintenance and support contracts with new and existing customers.

Gross Profit. Gross profit increased by $140,056, or 83%, in the first quarter of 2012 compared to the first quarter of 2011. The increase in gross profit primarily resulted from the recognition of percentage of completion related to our contracts with four of our largest customers and the beginning of certain scale economics related to our monthly recurring contracts summarized and referenced under Net Sales above.

Selling, Marketing and Advertising Expenses. Selling, marketing and advertising expenses increased by $154,309, or 480%, in the first quarter of 2012 compared to the first quarter of 2011. 68% of the increase was due to increased salary and payroll related expenses, primarily due to the addition of one new employee in August 2011 and one in September 2011, 13% was due to increased advertising expense, 11% was due to increased travel, and 8% was due to other selling expenses.

General and Administrative Expenses. General and Administrative expenses increased by $333,373, or 245%, in the first quarter of 2012 compared to the first quarter of 2011. The increase was primarily due to increases of $139,301 in salary and payroll related expenses, an increase in bad debt expense of $34,072 related to one customer, an increase of $39,204 in legal expense, an increase of $25,257 in accounting expense, an increase of $21,300 in rent expense, an increase of $20,040 in consultants and outside services, an increase of $9,946 in software maintenance and support, an increase of $8,557 in depreciation and amortization, and an increase of $35,696 in other expenses.

Interest Expense. Interest expense decreased by $9,475 in the first quarter of 2012 as compared to the first quarter of 2011. The decrease was primarily due to $9,315 in interest expense related to the Notes in the first quarter of 2011 compared to $0 in the first quarter of 2012. There were no Notes in the first quarter of 2012.

Liquidity and Capital Resources

As of March 31, 2012, we had current assets of $1,143,442, including $911,392 in cash and cash equivalents.

Cash decreased $87,461 from $998,853 at December 31, 2011 to $911,392 at March 31, 2012, due primarily to net cash used in operating activities of $74,668 in the first quarter of 2012. Net cash used in operating activities consisted of $349,359 in operating loss offset by $171,070 in noncash adjustments, $165,174 in increases in accounts payable

and accrued expenses, and $7,866 in net decreases in other current assets and current liabilities. Net cash provided by operating activities was $52,295 for the three months ended March 31, 2011.

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$12,793 cash was used in investing activities in the first quarter of 2012 for the purchase of furniture, computer equipment and building signs. No cash was used in investing activities in the first quarter of 2011.

No cash was provided by financing activities in the first quarter of 2012. In November 2010, AllDigital commenced an offering of up to $500,000 in convertible promissory notes in a bridge financing in order to raise funds primarily to pay the legal, audit and other transaction costs directly related to the completed Merger transaction with Aftermarket. The final $200,000 of the $500,000 bridge financing was provided in the first quarter of 2011. Amounts raised in the bridge financing were converted into common stock and warrants as part of the approximately $1,000,000 offering conducted by Aftermarket that closed immediately prior to the merger.

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. 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.

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 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 as such, 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, services and platform, and converting that acceptance into direct and indirect sources of revenue;

establishing and maintaining adoption of our technology on a wide variety of Devices and Device platforms;

timely and successfully developing new products, services, service and platform features, and increasing the functionality and features of our existing products, services, platform and technology;

developing products and services 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, services, platform and technology; and

identifying, attracting and retaining talented technical 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.

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.

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 $1,028,832 and current liabilities of $672,296, for net working capital of $356,536, as of March 31, 2012. Nevertheless, 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;

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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 do not currently have a full production version of our Media i/o platform and certain related services in commercial operation.

To date, we have only designed, developed, tested and operated a pilot version of our Media i/o platform. We have not yet developed, tested and/or operated the production version of our Media i/o platform and certain related services in full commercial operation, and may be unable to so. In addition, once developed and tested, our Media i/o platform and certain related services may fail when placed into commercial use, which would significantly harm our results of operations and financial condition.

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 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-month period ending March 31, 2012, AllDigital's three largest billing relationships accounted for approximately 74% 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 2012. Decisions by one or more of these key customers and/or partners to not renew, terminate or substantially reduce their use of our products and services 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 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.

We may not be able to carry out our business plan.

Our proposed plan of operation and prospects will depend largely upon our ability to successfully establish a large market presence in a timely fashion, retain and continue to hire skilled management, technical, marketing and other personnel, and attract and retain significant numbers of corporate and other enterprise customers and quality business partners. We have limited experience in commercializing our platform, software tools and back-end services in the

manner contemplated by our business model and plans, and there is limited information available concerning the potential performance or market acceptance of our platform, tools and services. There can be no assurance that we will be able to successfully implement our business plan and model, or develop or maintain future business relationships, or that unanticipated expenses, problems or technical difficulties which would result in material delays in implementation will not occur.

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, and increase demands on our management and on our operational and administrative systems, controls and other resources. We cannot be certain that our existing personnel, systems, procedures and controls will be adequate 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 anticipated 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 cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. To the extent we acquire other businesses, we will also need to integrate and assimilate new operations, technologies and personnel. Our future operating results will also depend on our ability to expand sales and marketing commensurate with the growth of our business and the digital services distribution to Internet-connected Devices marketplace.

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

Our services are highly complex and are designed for deployment in and across numerous large and complex networks that we do not 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 believe that, absent extraordinary circumstances, we have access to adequate capacity to provide our services; however, there can be no assurance that we are 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 may also not be able to deploy on a timely basis enough servers to meet the needs of our customer base or effectively manage the functioning of those servers. In addition, damage or destruction of, or other denial of access to, a facility where our servers are housed could result in a reduction in, or interruption of, service to our customers.

We may make significant future investments in research and development and cannot assure that these investments will be profitable.

Although we have not recently incurred research and development expenses, we may, as part of our ongoing business strategy, make significant investments in research and development in the future. We believe an investment in the research and development of new technologies could significantly improve our platform and services over the medium and long-term. However, such activities may lead to no product improvements or additional revenue and may

represent a significant distraction from our ongoing business activities.

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 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 integrators and vertical solution providers who develop single implementations of content and related Digital Services

to a single Internet-connected Device platform. They do not offer the series of software tools and back-end services dedicated to the Pairing of Digital Services to one or more Devices provided by us. However, integrators and vertical solution providers may be able to develop a comparable or superior series of tools, services and/or platform that provide a similar or more robust set of features and functionality than the products and services we offer. Our future competitors may also include CDN providers, CMS companies, hosting, utility computing and related service providers who may be able to offer a subset of the specialized storage, origin transit, and data processing services required to enable the distribution of content and related Digital Services to one or more Devices. Other future competitors may also include established media companies and essentially any other participant in the Internet industry.

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 we do. Existing and potential competitors with an extended operating history, even if not directly related to the 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 tools 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 tools, services and platform.

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 platform, services and underlying infrastructure subject us to potential liability from system failure and security risks.

Our operations are dependent upon our ability to protect our platform, services and underlying infrastructure against interruptions, damages, intrusion and other events that may adversely affect our ability to provide products and services to our customers (on a short-term or long-term basis). Any interruption in service caused by damage, intrusion or otherwise, may lead to loss of customers, lawsuits, contingent liabilities and harm to our reputation.

We operate pursuant to a business-to-business model, and therefore we normally do not handle large volumes of personally identifiable information (such as employee data, customer data, data that our customers collect from their customers, and information regulated by the Health Insurance Portability and Accountability Act of 1996) for our customers. However, the nature of some of our products and services require us to have access to such confidential information. Unauthorized access to our platform and underlying infrastructure, including certain servers for example,

may jeopardize the security of confidential information stored in our computer systems and our customers' computer systems, which may result in liability to our customers and also may deter potential customers

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, 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 are located in Southern California, which is prone to the occurrence of the foregoing events.

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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 and employment agreements between the Company and each of its executive officers require that the Company indemnify our officers and directors to the maximum extent permitted by law. As of the date of this Report, the Company does not have officers and directors' liability insurance. A successful claim for such indemnification 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 the common law associated with copyrights and trade secrets affords only limited protection.

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.

The validity, enforceability and type of protection of proprietary rights in Internet-related industries are uncertain and still evolving.

Despite our efforts to protect our proprietary products 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 and services is difficult, and although we are unable to determine the extent to which piracy of our products 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 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. 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 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 or products, portions of services or products, that incorporate disputed intellectual property;

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 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, which could harm our business, 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 for Hollywood studios. If we are unable to obtain or retain these or other formal and informal industry certifications and standards 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 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, slow down 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. There can be no assurance, therefore, that current economic conditions or worsening economic conditions or a prolonged or recurring recession will not have a

significant adverse impact on our operating results and financial condition.

The market for the distribution of content and Pairing of Digital Services to Devices may not grow at a pace that we anticipated or at levels that allow us to continue to grow.

The market for the distribution of content and Pairing of Digital Services to Devices 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 content and related Digital Services over the Internet because of issues related to protection of copyrights, 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 Interest 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 the distribution of content and Pairing of Digital Services to Devices 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, 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 operations 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 acquisitions, 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 interest, or lack of interest, of the market in our business sector, without regard to our financial condition or results of operations;

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.

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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

o 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.

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, 2012, 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.

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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 5. OTHER INFORMATION

Prior to the Merger on July 29, 2011, it is unclear if the Company was an ineligible issuer as defined in Rule 144(i). In light of the uncertainty, the Company has determined not to clear trading in its securities under Rule 144 until after August 29, 2012, which is the one-year anniversary of the date, following the Company’s acquisition of AllDigital, that the Company filed “Form 10 Information” with respect to its current business.

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, 2012	By: /s/ Paul Summers
Date	Paul Summers,
	Chief Executive Officer
May 15, 2012	By: /s/ John Walpuck
Date	John Walpuck,
	Chief Financial Officer

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Exhibit No.	Exhibit	**Incorporated by Reference/Filed Herewith**
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, 2012, 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

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