ALLDIGITAL HOLDINGS, INC.
Form 10-Q
November 16, 2015

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 **September 30, 2015**

[ ] 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 of incorporation or organization)	(I.R.S. Employer Identification No.)
6 Hughes Suite 200, Irvine, California	**92618**
(Address of principal executive offices)	(zip code)

(949) 250-7340

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 November 13, 2015, there were 38,254,959 shares of the registrant's common stock, $0.001 par value per share, outstanding.

CAUTIONARY STATEMENT

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

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	September 30, 2015 *(Unaudited)*	**December 31, 2014**
ASSETS		
Current Assets		
Cash and cash equivalents	$828,406	$485,761
Accounts receivable, net of allowance of $0- and $0-	100,539	361,276
Prepaid expenses and other current assets	50,799	50,944
Total current assets	979,744	897,981
Property and equipment, net	152,039	176,194
Purchased intangible assets, net	366,283	386,415
Other assets	18,737	18,626
Total assets	$1,516,803	$1,479,216
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$617,829	$809,018
Deferred revenue	52,087	4,465
Other current liabilities	29,875	28,530
Total current liabilities	699,791	842,013
Long-term liabilities:		
Long-term debt	2,218,461	750,000
Other liabilities	23,724	45,978
Total long-term liabilities	2,242,185	795,978
Commitments and Contingencies (Note 9)		
Stockholders' (Deficit) 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, 38,254,959 and 37,170,959 issued and outstanding as of September 30, 2015 and December 31, 2014, respectively	38,255	37,171
Additional paid-in capital	4,979,382	4,636,530
Accumulated deficit	(6,442,810)	(4,832,476)
Total stockholders' (deficit) equity	(1,425,173)	(158,775)
Total liabilities and stockholders' (deficit) equity	$1,516,803	$1,479,216

See accompanying notes to these unaudited consolidated financial statements.

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ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Net sales	394,452	$949,866	$1,801,429	$2,762,535
Cost of sales	311,451	595,133	1,374,401	2,470,556
Gross profit (loss)	83,001	354,733	427,028	291,979
Operating expenses				
Selling, marketing, and advertising	134,863	146,942	352,571	561,236
General and administrative	571,547	441,736	1,597,059	1,322,441
Total operating expenses	706,410	588,678	1,949,630	1,883,677
Loss from operations	(623,409)	(233,945)	(1,522,602)	(1,591,698)
Other income (expense)				
Interest income	178	71	380	652
Interest expense	(39,053)	(152)	(66,740)	(670)
Other income (expense)	—	—	(19,173)	25,170
Total other income (expense)	(38,875)	(81)	(85,533)	25,152
Loss from operations before provision for income taxes	(662,284)	(234,026)	(1,608,135)	(1,566,546)
Provision for income taxes	(98)	(1,600)	(2,198)	(3,200)
Net loss	$(662,382)	$(235,626)	$(1,610,333)	$(1,569,746)
Basic and diluted net loss per share	$(0.02)	$(0.01)	$(0.04)	$(0.04)
Basic and diluted weighted-average shares outstanding	38,254,959	36,345,857	38,155,750	35,709,742

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 2015	2014
Cash Flows From Operating Activities		
Net loss	$(1,610,333)	$(1,569,746)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	70,228	54,196
Provision for doubtful accounts	—	—
Stock based compensation	336,936	85,645
Stock issued for services	7,000	87,999
Loss on disposal of property and equipment	19,173	21,595
Changes in operating assets and liabilities:		
Accounts receivable	260,737	162,864
Prepaid expenses and other current assets	143	(125,822)
Other assets	(111)	—
Deferred revenue	47,622	(329,535)
Accounts payable and accrued expenses	(27,227)	86,286
Net cash provided by (used in) operating activities	(895,832)	(1,526,518)
Cash Flows From Investing Activities		
Purchase of property and equipment	(45,614)	(32,172)
Purchase of intangible assets	—	(3,763)
Net cash used in investing activities	(45,614)	(35,935)
Cash Flows From Financing Activities		
Proceeds from issuance of secured notes payable	1,305,000	412,500
Payments on capital lease obligations	(20,909)	(11,673)
Net cash provided by financing activities	1,284,091	400,827
Net increase (decrease) in cash and cash equivalents	342,645	(1,161,626)
Cash and cash equivalents – beginning of period	485,761	1,300,932
Cash and cash equivalents – end of period	$828,406	$139,306
Supplemental disclosures of cash flow information:		
Interest paid	$18,581	$670
Income taxes paid	$2,198	$3,200

SUPPLEMENTAL INFORMATION OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During the nine months ended September 30, 2015 and 2014, the Company entered into the following noncash investing or financing transactions.

Sold $163,461 in principal of Notes to two of our vendors in a non-cash transaction, which resulted in the aggregate pay down of $163,461 in trade payables that were owed as of December 31, 2014.

Capital lease financing for computers and other equipment totaling $89,672.

See accompanying notes to these unaudited consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS

Throughout this Report, AllDigital Holdings, Inc. and AllDigital, Inc., as a consolidated entity, are referred to as "AllDigital", the "Company", "we", "our" or "us." To the extent we need to distinguish AllDigital Holdings, Inc. from AllDigital, Inc., we refer to AllDigital Holdings, Inc. as "AllDigital Holdings" and to AllDigital, Inc. as "AllDigital, Inc."

AllDigital was incorporated in the state of California on August 3, 2009 and engineers software and hardware based digital broadcasting solutions to accelerate and optimize the distribution of digital video over the Internet. The Company's digital broadcasting solutions are built around proprietary product and service offerings. The Company's product offerings consist of AllDigital Brevity and AllDigital Cloud. AllDigital Brevity uses the Company's patented technology to simultaneously transcode digital video files to multiple formats and to multiple destinations while transporting them at super-accelerated speeds over the Internet. AllDigital Cloud is a unified digital broadcasting and cloud services platform dedicated to ingesting, storing, preparing, securing, managing, monetizing, converting and distributing digital media and other forms of data across devices. AllDigital Integration Services provides consultation and software development services that enable the Company's customers to integrate AllDigital Brevity and AllDigital Cloud into existing digital workflows, with services ranging from transition planning from competitive offerings to designing, building and hosting complete digital workflows.

The Company's ability to successfully generate future revenues is dependent on a number of factors, including: (i) access to capital, and the Company's success at growing the Company's recurring revenues and operating cash flows to continue developing, operating and maintaining the Company's proprietary AllDigital Brevity and AllDigital Cloud platforms and services, including the Company's completing the development of a highly scalable and multitenant variant of AllDigital Brevity, which the Company believes will serve as its platform for recurring revenue growth and cash flow profitability in the future, (ii) the ability to commercialize the Company's portfolio of digital broadcasting solutions, and (iii) the Company's ability to attract and retain key sales, business and product development, and other personnel as the Company's business and offerings continue to mature. The Company may encounter setbacks related to these activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company has prepared the accompanying consolidated unaudited financial statements in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial statements and with instructions to Form 10-Q pursuant to the rules and regulations of Securities and Exchange Act of 1934, as amended, or the Exchange Act and Article 8-03 of Regulation S-X promulgated under the Exchange Act. Accordingly, these financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company's management, the Company has included all adjustments considered necessary (consisting of normal recurring adjustments) for a fair presentation. Operating results for the nine months ended September 30, 2015 are not indicative of the results that may be expected for the fiscal year ending December 31, 2015. You should read these unaudited condensed consolidated financial statements in conjunction with the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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

Liquidity

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of conducting its business. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability or classification of assets and liabilities that may result from the outcome of this uncertainty. The Company has to date incurred recurring losses and has accumulated losses aggregating approximately $6.4 million as of September 30, 2015. The Company's business strategy includes attempting to increase its revenue through investing further in its product development, sales, and marketing efforts of AllDigital Brevity. The Company intends to finance this portion of its business strategy through available working capital resources and raising additional funds to provide a long enough horizon for the Company to achieve cash flow profitability. Without further investment capital, management believes that current cash on-hand and cash flow from operations will finance the Company through the first quarter of 2016.

These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve sustainable revenues and profitable operations. The Company's independent auditors, in their report on our financial statements for the year ending December 31, 2014, expressed substantial doubt about the Company's ability to continue as a going concern. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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Principles of Consolidation

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

Cash and Cash Equivalents

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

Revenue Recognition

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

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

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

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

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

Accounts Receivable

Accounts receivable are recorded at their face amount less an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses in the accounts receivable balance. Management determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The allowance for doubtful accounts was $0 at September 30, 2015, and $0 at December 31, 2014. The Company generally requires a deposit or advance services payments from its customers for certain contracts involving upfront capital investment, on-boarding, or development 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 September 30, 2015, the Company had 210,000 warrants and 7,460,761 options that could potentially increase the number of shares outstanding. At September 30, 2015, the Company had sold $2,218,461 of its 5% Senior Secured Convertible Notes due December 31, 2017 (the "Exchange Notes") that if converted at the note conversion price of $.15 per share, could potentially increase the number of shares outstanding by 14,789,740 shares. These instruments were excluded from the computation of the diluted loss per share as their impact is anti-dilutive.

Fair Value of Measurements

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

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 September 30, 2015, and December 31, 2014, were cash and cash equivalents and are considered Level 1 assets.

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

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Income Taxes

The Company accounts for income taxes in accordance with ASC 740-10, *Income Taxes*. The Company recognizes 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. The Company records 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 at 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.

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
Leasehold improvements	Shorter of remaining lease term or up to 3 years
Fixed assets under capital lease	3 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 nine months ended September 30, 2015 and 2014. Future amortization expense for the next five years is estimated to be approximately $9,726 per year.

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. The Company uses the Black-Scholes option valuation model to estimate the fair value of its 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. The Company uses historical data among other information to estimate the expected price volatility and the expected forfeiture rate.

Recent Accounting Pronouncements

In August 2014, the FASB issued FASB ASU2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. FASB ASU 2014-15 changes to the disclosure of uncertainties about an entity's ability to continue as a going concern. Under GAAP, continuation of a reporting entity as a going concern is presumed as the basis for preparing financial statements unless and until the entity's liquidation becomes imminent. Even if an entity's liquidation is not imminent, there may be conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. Because there is no guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern or to provide related note disclosures, there is diversity in practice whether, when, and how an entity discloses the relevant conditions and events in its financial statements. As a result, these changes require an entity's management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that financial statements are issued. Substantial doubt is defined as an indication that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that financial statements are issued. If management has concluded that substantial doubt exists, then the following disclosures should be made in the financial statements: (i) principal conditions or events that raised the substantial doubt, (ii) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, (iii) management's plans that alleviated the initial substantial doubt or, if substantial doubt was not alleviated, management's plans that are intended to at least mitigate the conditions or events that raise substantial doubt, and (iv) if the latter in (iii) is disclosed, an explicit statement that there is substantial doubt about the entity's ability to continue as a going concern. These changes become effective for the Company for the 2016 annual period. The Company is currently evaluating the impact that adopting ASU 2014-15 may have its financial statement presentation and disclosures. Subsequent to adoption, this guidance will need to be applied by management at the end of each annual period and interim period therein to determine what, if any, impact there will be on the Consolidated Financial Statements in a given reporting period.

In May 2014, FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. The standard will eliminate the transaction- and industry-specific revenue recognition guidance under current U.S. GAAP and replace it with a principle-based approach for determining revenue recognition. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017. Early adoption is not permitted. The revenue recognition standard is required to be applied retrospectively, including any combination of practical expedients as allowed in the standard. The Company is evaluating the impact, if any, of the adoption of ASU 2014-09 to its financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In July 2013, the FASB issued Accounting Standards Updates 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (Topic 740). ASU 2013-11 requires that unrecognized tax benefits be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. When those circumstances exist, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The Company adopted this guidance effective January 1, 2014. The Company does not believe the adoption of ASU 2013-11 has significant impact on its consolidated financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2015, and December 31, 2014, consisted of the following:

	September 30, 2015	December 31, 2014
Furniture and fixtures	$11,873	$16,328
Leasehold improvements	3,272	3,772
Fixed assets under capital lease	69,490	89,672
Computer equipment	258,228	213,154
Software	45,833	45,833
Sign	—	2,050
Intangible assets	384,365	384,365
Less accumulated depreciation and amortization	(254,739)	(192,565)
	$518,322	$562,609

Accumulated amortization of assets under capital leases amounted to $30,884 and $17,997 at September 30, 2015 and December 31, 2014, respectively.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of September 30, 2015, and December 31, 2014, consisted of the following:

	September 30, 2015	December 31, 2014
Accounts payable	$ 199,356	$ 413,700
Accrued personnel costs	266,834	308,135
Accrued professional fees	32,505	76,825
Other	119,134	10,358
	$ 617,829	$ 809,018

NOTE 5 - NOTES PAYABLE

From October 2014 to July 2015 the Company issued its 5% Senior Secured Convertible Notes due December 31, 2016 (the “5% Notes”), under its private placement memorandum. The 5% Notes have a maturity date of December 31, 2016 (“Original Maturity Date”). The 5% Notes will bear interest at the rate of five percent (5%) per annum payable quarterly on the fifth (5th) day after the last business day of each calendar quarter. After the Original Maturity Date, and until the outstanding principal and accrued interest on the 5% Notes has been paid, the 5% Notes will bear interest at a rate of 1.0% per month. The outstanding principal under the 5% Notes is convertible at any time prior to repayment, in whole or in part, into shares of the Company’s common stock at a conversion price of $0.15 per share, subject to adjustment for stock splits, stock dividends and recapitalizations. All accrued interest on the 5% Notes shall be paid in cash upon any conversion of the 5% Notes. The 5% Notes are secured under the terms of the Security Agreement by a first priority lien on all of the Company’s tangible and intangible assets.

In October and November 2014, the Company entered into Securities Purchase Agreements with three investors, pursuant to which the Company issued and sold its 5% Notes with an aggregate principal of $750,000 for an aggregate purchase price of $750,000. The 5% Notes are convertible into an aggregate of up to 5,000,000 shares of the Company’s common stock. In connection with the sale of the 5% Notes, the Company entered into a Security Agreement with these investors and Richard P. Stevens, II. as collateral agent.

In February 2015, the Company entered into a Securities Purchase Agreement with one of its vendors, pursuant to which the Company issued and sold its 5% Notes with a principal of $135,000 to its vendor for an aggregate purchase price of $135,000, which resulted in the pay down of $135,000 in trade payables. The underlying 5% Note is convertible into an aggregate of up to 900,000 shares of the Company’s common stock. In connection with the sale of the 5% Note, the Company entered into a Security Agreement with this vendor and Richard P. Stevens, II. as collateral agent.

In February 2015, the Company entered into a Securities Purchase Agreement with an executive officer and board member, pursuant to which the Company issued and sold its 5% Notes with a principal of $230,000 for an aggregate purchase price of $230,000. The 5% Note is convertible into an aggregate of up to 1,533,333 shares of the Company’s common stock. In connection with the sale of the 5% Note, the Company entered into a Security Agreement with this investor and Richard P. Stevens, II. as collateral agent.

In April 2015, the Company entered into a Securities Purchase Agreement with one of its vendors, pursuant to which the Company issued and sold its 5% Notes with a principal of $28,461 to its vendor for an aggregate purchase price of $28,461, which resulted in the pay down of $28,461 in trade payables. The underlying 5% Note is convertible into an aggregate of up to 189,743 shares of the Company’s common stock. In connection with the sale of the 5% Note, the Company entered into a Security Agreement with this vendor and Richard P. Stevens, II. as collateral agent.

In April 2015, the Company entered into Securities Purchase Agreements with two investors, pursuant to which the Company issued and sold its 5% Notes with an aggregate total principal of $250,000 for an aggregate purchase price of $250,000. The 5% Notes are convertible into an aggregate of up to 1,666,666 shares of the Company’s common stock. In connection with the sale of the 5% Notes, the Company entered into a Security Agreement with these investors and Richard P. Stevens, II. as collateral agent.

In May 2015, the Company entered into Securities Purchase Agreements with three investors, pursuant to which the Company issued and sold its 5% Notes with an aggregate total principal of $175,000 for an aggregate purchase price of $175,000. The 5% Notes are convertible into an aggregate of up to 1,166,666 shares of the Company’s common stock. In connection with the sale of the 5% Notes, the Company entered into a Security Agreement with these investors and Richard P. Stevens, II. as collateral agent.

On July 8, 2015, the Company entered into a Securities Purchase Agreement with an investor, pursuant to which the Company issued and sold its 5% Notes with an aggregate total principal of $50,000 for an aggregate purchase price of $50,000. The 5% Note is convertible into an aggregate of 333,333 shares of the Company’s common stock. In connection with the sale of the 5% Notes, the Company entered into a Security Agreement with this investor and Richard P. Stevens, II. as collateral agent.

On July 20, 2015, the Company entered into a Securities Purchase Agreement with an investor, who also serves as a Vice President and Director of the Company, pursuant to which the Company issued and sold its 5% Notes with an aggregate total principal of $600,000 for an aggregate purchase price of $600,000. The 5% Note is convertible into an aggregate of up to 4,000,000 shares of the Company’s common stock. In connection with the sale of the 5% Notes, the Company entered into a Security Agreement with this investor and Richard P. Stevens, II. as collateral agent.

On July 31, 2015, the Company entered into an Amendment and Exchange Agreement (the “Exchange Agreement”) with certain investors representing a majority in principal amount of the Company’s outstanding 5% Notes. On July 31, 2015 (the “Closing Date”), under the terms of the Exchange Agreement, the Company issued $2,218,461 in principal amount of its 5% Senior Convertible Notes due December 31, 2017 (the “Exchange Notes”) in exchange for the 5% Notes (the “Exchange”). The Exchange Notes have substantially identical terms to the 5% Notes except that the maturity date of the Exchange Notes is December 31, 2017 and all unpaid interest due and payable under the Exchange Notes is due and payable on the new maturity date. The Exchange Notes are convertible into an aggregate of up to 14,789,740 shares of the Company’s common stock. On the Closing Date, under the terms of the Exchange Agreement, the 5% Notes were cancelled. The Exchange Notes are secured under the terms of an Amended and Restated Security Agreement, dated July 31, 2015, by and among the Company, Richard P. Stevens, II, as collateral agent, and certain of the investors representing a majority in principal amount of the outstanding 5% Notes, by a first priority lien on all of the Company’s tangible and intangible assets. On July 31, 2015, the Company consummated the Exchange, under which the Company issued the Exchange Notes in exchange for the 5% Notes.

On July 31, 2015, the investors holding a majority in principal amount of the Company’s outstanding 5% Notes waived the Company’s obligation to pay accrued interest due and payable under the 5% Notes that otherwise would have been due and payable on July 6, 2015.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The following is a schedule by years of future minimum lease payments under capital lease, together with the present value of the net minimum lease payments as of September 30, 2015.

	Year ended September 30,
2016	32,616
2017	24,395
2018	-
Total minimum lease payments	57,011
Less: Amount representing interest	(3,412)
Present value of net minimum lease payments	53,599

The present value of net minimum lease payments is reflected in the balance sheet as current and noncurrent obligations under capital leases of $29,875 and $23,724, respectively.

Operating Leases

In 2014, the Company entered into a Lease Agreement for office space at 6 Hughes, Suite 200, Irvine, California, 92618, which is used as its corporate office. The initial three-year term expires December 31, 2017, and lease renewal is possible upon mutual agreement of the parties. Rent expense attributed to all operating leases for the nine months ended September 30, 2015 and 2014 was $138,662 and $186,580, respectively.

The Company has entered into various non-cancelable operating leases for computer servers. At September 30, 2015, future minimum rental commitments under these operating leases are:

Year ended September 30,	
2016	$131,353
2017	81,410
2018	-
Total	$212,763

Legal Matters

The Company is subject to various claims and contingencies in the ordinary course of its business, including those related to litigation, business transactions, employee-related matters, and others. When the Company is aware of a claim or potential claim, it assesses the likelihood of any loss or exposure. If it is probable that a loss will result and the amount of the loss can be reasonably estimated, the Company will record a liability for the loss. If the loss is not probable or the amount of the loss cannot be reasonably estimated, the Company discloses the claim if the likelihood of a potential loss is reasonably possible and the amount involved could be material. While there can be no assurances, the Company does not expect that any of its pending legal proceedings will have a material financial impact on the Company’s operating results.

On July 23, 2015, Donald Harris, an individual, Amir Ecker, an individual, and Alexander Keszeli, an individual (the “Plaintiffs”) filed a complaint against AllDigital Holdings, Inc., Stephen Smith, an individual, and Timothy Napoleon, an individual (the “Defendants”), in the Superior Court of California, County of Orange (Case No.: 30-2015-00800862-CU-SL-CXC). The Plaintiffs allege that they were collectively misled into purchasing $1,485,000 of the Company’s Convertible Promissory Notes (“Investor Convertible Notes”). The Investor Convertible Notes were subsequently converted into shares of the Company’s common stock pursuant to the terms of the Investor Convertible Notes. The Company is in the process of answering the complaint. The ultimate resolution of this proceeding and these matters are inherently difficult to predict; as such, the Company’s operating results could be materially affected by the unfavorable resolution of this proceeding for any particular period, depending, in part, upon the operating results for such period. The Company believes that the allegations made in the complaint are without merit and, as such, the Company intends to vigorously defend against the allegations made in the complaint.

NOTE 7 - STOCKHOLDERS' EQUITY

Preferred Stock

The Company's board of directors (the "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 the Board of Directors could adversely affect the rights of holders of the Company's 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 the Company's common stock.

As of September 30, 2015, there were no shares of preferred stock issued or outstanding.

Common Stock

In January 2014, the Company sold 2,250,000 shares of its common stock at a price of $0.15 per share to a newly appointed member of the Board of Directors and executive officer. In February 2014, 150,000 shares of common stock were issued as compensation to a service provider. In May 2014, the Company sold 400,000 shares and 100,000 shares of its common stock, respectively, to two of its officers who are also members of its Board of Directors, at a purchase price of $0.15 per share. In May and June 2014, respectively, 66,667 shares and 76,923 shares of its common stock were issued to a service provider. In July, August, and September 2014, respectively, 100,000 shares, 111,111 shares, and 165,000 shares were issued to service providers. In October and November 2014, respectively, 222,222 shares and 297,059 shares were issued to service providers. The shares issued to service providers were measured at their grant date fair value and recognized as an expense in the accompanying consolidated statement of operations.

Restricted Stock Units

During 2014, the Company issued 2,000,000 restricted stock units to an officer. At vesting each restricted stock unit will be exchanged for one share of its common stock. The restricted stock units vest in equal annual installments over the two-year period commencing on the anniversary of the date of grant. In January 2015, the Company issued 1,000,000 shares of its common stock to an executive officer and board member pursuant to his employment agreement and recognized $151,875 in related stock compensation expense as of September 30, 2015.

The following table summarizes the activity of the Company's restricted stock units:

	Number of RSUs	**Weighted-Average Grant Date Fair Value**
Unvested at December 31, 2014	2,000,000	$ 0.20
Granted	—	—
Vested	(1,000,000)	$ 0.20
Forfeited	—	—
Unvested at September 30, 2015	1,000,000	$ 0.20

The Company recorded $151,875 of expense relating to restricted stock units during the period ended September 30, 2015 and such expense is included in stock-based compensation expense in the Company's Consolidated Statement of Operations.

As of September 30, 2015, the pre-tax compensation expense for all unvested restricted stock units in the amount of approximately $50,625 will be recognized in the Company's results of operations over a weighted average period of 0.33 years.

Stock Options

In 2011, the Company established the 2011 Stock Option and Incentive Plan (the "Plan") for directors, employees, consultants and other persons acting on behalf of the Company, under which 8,500,000 shares of common stock are authorized for issuance. Options granted under the Plan vest on the date of grant, over a fixed period of time, or upon the occurrence of certain events and have a contractual term of up to ten years.

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

	Number of Shares Underlying Options	Weighted average exercise price	Weighted Average remaining contractual term - years
Outstanding, December 31, 2014	7,440,364	$ 0.13	9.29
Granted	577,500	$ 0.08	7.94
Forfeited/Expired	557,103	$ 0.22	-
Outstanding, September 30, 2015	7,460,761	$ 0.12	8.59
Exercisable, September 30, 2015	2,467,523	$ 0.14	7.98
Expected to vest, September 30, 2015(*)	2,980,064	$ 0.11	8.89

(*) In addition to the vested options, the Company expects a portion of the unvested options to vest at some point in the future. Options expected to vest is calculated by applying an estimated forfeiture rate to the unvested options.

At September 30, 2015, 7,460,761 shares of common stock were reserved for issuance under outstanding options under the Plan and 1,039,239 shares of common stock were available for grant under the Plan.

As of September 30, 2015, there was $321,186 of total unrecognized compensation expense related to non-vested share-based compensation arrangements granted under the Plan. The expense is expected to be recognized over a weighted average period of 2.88 years. The aggregate intrinsic value of the options outstanding at September 30, 2015 was $0 and the aggregate intrinsic value of the options exercisable or expected to vest in the future was $0.

Stock-based compensation expense for the nine months ended September 30, 2015 and 2014 was $185,061 and $85,645 respectively.

The fair value of the options granted by the Company for the nine months ended September 30, 2015 and 2014 is estimated at $44,532 and $756,561, respectively.

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

	Period Ended September 30, 2015	December 31, 2014
Dividend yield	-	-
Risk-free interest rate	1.34%	1.60% to 1.65 %
Volatility	193 %	193 %
Expected life (in years)	5.9	7.0
Weighted average grant date fair value per share of options granted	$0.08	$0.12

The dividend yield is zero as the Company has not paid and currently does not anticipate paying dividends.

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

Volatility is estimated based on comparable companies in the industry.

Warrants

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

	Shares issuable upon exercising of outstanding warrants	**Weighted-average exercise price**
Outstanding – December 31, 2014	210,000	$ 0.26
Granted	—	—
Forfeited	—	—
Exercised	—	—
Outstanding – September 30, 2015	210,000	$ 0.26
Exercisable – September 30, 2015	210,000	$ 0.26

The following table summarizes information about warrants outstanding at September 30, 2015:

Outstanding				**Exercisable**	
Range of exercise prices	**Number of shares issuable upon exercise of outstanding warrants**	**Weighted—average remaining contractual life (in years)**	**Weighted—average exercise price**	**Number of warrants exercisable**	**Weighted—average exercise price**
$0.25	150,000	0.92	$ 0.25	150,000	$ 0.25
$0.275	60,000	0.83	$ 0.275	60,000	$ 0.275
$0.25 - 0.275	210,000	0.89	$ 0.257	210,000	$ 0.257

NOTE 8 - 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 September 30, 2015 and December 31, 2014, the valuation allowance for deferred tax assets totaled approximately $1.8 million and $1.3 million, respectively. For the nine months ended September 30, 2015, the increase in the valuation allowance was $0.5 million.

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 September 30, 2015, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $4.4 million and $4.4 million, respectively, which begin to expire in 2023. 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 September 30, 2015 and December 31, 2014, the Company had no accrual for the payment of interest or penalties. For Federal purposes, the years subject to examination are 2012-2014. For California purposes, the years subject to examination are 2011-2014.

NOTE 9 - COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

Major Customers

At September 30, 2015 and December 31, 2014, four and two customers accounted for 76% and 68% of the outstanding accounts receivable, respectively.

For the nine months ended September 30, 2015 and 2014, six and three customers accounted for 76% and 64% of total revenue, respectively.

Major Vendors

At September 30, 2015 and December 31, 2014, four and three vendors accounted for 82% and 68% of the outstanding accounts payable, respectively.

For the nine months ended September 30, 2015 and 2014, four and one vendors accounted for 40% and 14% 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. 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 September 30, 2015, the Company's uninsured cash balance was $579,519.

NOTE 10 - SEGMENT INFORMATION

The Company currently operates in one business segment, digital broadcasting solutions. All fixed assets are located at the Company's headquarters and data centers located in the United States. All sales for the nine months ended September 30, 2015 were in the United States and Canada.

NOTE 11 - SUBSEQUENT EVENTS

On November 4, 2015, the Company entered into a Securities Purchase Agreement with an investor, pursuant to which the Company issued and sold its 5% Senior Secured Notes due December 31, 2017 (the “New 5% Notes”) with an aggregate total principal of $56,800 for an aggregate purchase price of $56,800. The New 5% Note is convertible into an aggregate of up to 378,667 shares of the Company’s common stock.

In connection with the sale of the New 5% Notes, the Company entered into a Security Agreement with this investor and Richard P. Stevens, II. as collateral agent. The New 5% Notes have a maturity date of December 31, 2017. The New 5% Notes will bear interest at the rate of five percent (5%) per annum payable on the maturity date. After the maturity date, and until the outstanding principal and accrued interest on the New 5% Notes has been paid, the New 5% Notes will bear interest at a rate of 1.0% per month. The outstanding principal under the New 5% Notes is convertible at any time prior to repayment, in whole or in part, into shares of the Company’s common stock at a conversion price of $0.15 per share, subject to adjustment for stock splits, stock dividends and recapitalizations. All accrued interest on the New 5% Note shall be paid in cash upon any conversion of the New 5% Notes. The New 5% Notes are secured under the terms of the Security Agreement by a first priority lien on all of the Company’s tangible and intangible assets.

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

Throughout this Report, AllDigital Holdings, Inc. and AllDigital, Inc., as a consolidated entity, are referred to as “AllDigital”, the “Company”, “we”, “our” or “us.” To the extent we need to distinguish AllDigital Holdings, Inc. from AllDigital, Inc., we refer to AllDigital Holdings, Inc. as “AllDigital Holdings” and to AllDigital, Inc. as “AllDigital, Inc.” AllDigital is the registered owner of the AllDigital® trademark. Any other trademarks and service marks used in this Report are the property of their respective holders.

Certain Technical Terms

In this Report, we use certain technical terms to describe our business, which terms are important in understanding 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.

“codec” is a device or computer program capable of encoding or decoding a digital data stream or signal.

“devices” are Internet-connected devices, including without limitation smartphones, tablet computers, desktop and laptop computers, gaming consoles, digital televisions, home theatre systems, streaming players, “smart” appliances and digital signage.

“digital broadcasting workflow” is a series of interconnected processes to ingest, store, prepare, secure, manage, monetize, convert and distribute live media feeds and video-on-demand and pay-per-view assets, as well as real-time data and other information to and from Apps on devices.

“digital services” are hosted, cloud-based software applications intended for use on, interactivity with, and the delivery of digital media to or from, one or more devices, through a digital broadcasting workflow. Examples of well-known digital services include NetFlix’s Movies On-Demand, Hulu, Pandora Radio, YouTube and Facebook.

“docker” is a container technology used to package an application and its dependencies in virtual containers to create highly distributed systems, allowing multiple applications and processes to run autonomously on a single physical machine or across multiple virtual machines.

“kuberenetes” created by Google is an open source orchestration system for Docker containers that provides a platform for automating deployment, scaling and operations of application containers across clusters of hosts.

“microservices” is a software architecture in which a large application is built as a suite of modular services.

“machine virtualization and multitenancy” refer to the act of creating a virtual (rather than actual) version of something, including (but not limited to) a virtual computer hardware platform, operating system (OS), storage device, or computer resources. Multitenancy allows these platform resources to be defined and allocated via software.

“pairing” is the process of setting-up, managing and maintaining the ongoing data exchange between a digital service and a device through the applicable digital broadcasting workflow. Pairing includes not only the initial process of ensuring the compatibility of the digital service with one or more devices operating on one or more device platforms, but may also include any or all of the following:

Managing various elements of and processes related to the ongoing data exchange between a digital service and a device, including device compatibility, security, quality of service, data and signal flows, and dynamic updates;

Applying business rules (e.g., subscriber eligibility and authentication) and processing to live media feeds, video-on-demand (e.g., converting master video files into formats compatible with the target devices), real-time data and other data assets, and digital services; and

Acting as the origin for data exchange between the digital services, through the digital broadcasting workflow, to the devices.

“video compression” uses modern coding techniques to reduce redundancy in video data. Most video compression algorithms and codecs combine spatial image compression and temporal motion compensation. Video compression is a practical implementation of source coding in information theory. In practice, most video codecs also use audio compression techniques in parallel to compress the separate, but combined data streams as one package.

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General Overview

We engineer software and hardware based digital services and solutions that accelerate and optimize the distribution of digital video over the Internet. Our digital broadcasting solutions are built around proprietary product and service offerings.

<u>AllDigital Brevity</u>

AllDigital Brevity, or Brevity, is our file transport and transcoding service that uses our patented technology to simultaneously compress and transcode digital video files into one or many formats while transporting them to one or many destinations at super-accelerated speeds over the Internet.

<u>AllDigital Cloud</u>

AllDigital Cloud, or AD Cloud, is a unified digital broadcasting and cloud services platform dedicated to ingesting, storing, preparing, securing, managing, monetizing, converting and distributing digital media and other forms of data across devices.

<u>AllDigital Integration Services</u>

AllDigital Integration Services provides consultation and software development services that enable our customers to integrate Brevity and AD Cloud into existing digital workflows, with services ranging from transition planning and onboarding to designing, building and hosting complete digital workflows.

General Outlook

There are a number of market dynamics that we believe will drive significant demand for digital services over the next 3 to 5 years, including: (i) increasing popularity of OTT video streaming services, (ii) global improvements in Internet accessibility, (iii) substantial and growing demand for mobile devices and for viewing digital video on these devices, (iv) rapid technological advancements increasing the affordability of and access to devices capable of creating and viewing ultra high definition (4K) video, and (v) business applications for digital video across existing and evolving use cases. We believe that the growth of the digital services market will not be sustainable without the support from third party service providers that offer the digital services and solutions required to successfully develop, operate, and support digital media workflows.

Our ability to successfully generate future revenues is dependent on a number of factors, including: (i) access to capital and our success at growing our recurring revenues and operating cash flows to continue developing, operating and maintaining our proprietary Brevity and AD Cloud platforms and services, (ii) the ability to commercialize our portfolio of digital services, and (iii) our ability to attract and retain key sales, business, engineering, and other personnel as our business and service offerings continue to mature. We may encounter setbacks related to these activities.

Recent Developments

We plan to release an entirely new generation of our file transport and transcoding service, New Brevity, on December 1, 2015.

New Brevity has been completely re-architected and developed with the cloud in mind, incorporating many of the latest software architectural styles and technologies including microservices architecture, docker containers, and kuberenetes orchestration technology, and like all generations of Brevity, New Brevity has our patented technology at its core (United States Patent No. 8,533,166 B1 – Methods and systems for encoding/decoding files and transmission thereof, issued September 10, 2014; United States Patent No. 8,874,531 B2 – Methods and systems for encoding/decoding files and transmission thereof, issued October 28, 2014), which enables it to transcode video files as they are being delivered real time. We believe this to be a key differentiating benefit of our service.

For the past year we have been working closely with our Brevity customers and prospects, including broadcasters, global technology companies, entertainment companies, and OEM’s. Their valued feedback helped us to identify and prioritize the development of the new and newly enhanced features that are part of New Brevity, which include, (i) extensive and fully documented APIs, (ii) cloud agnostic capabilities, (iii) industry leading security protocols, (iv) multitenancy, (v) scalability, (vi) redundancy, (vii) speed (Brevity Warp™), (viii) broadcast codecs, and (ix) simplicity – a completely redesigned app that allows for point and click design and deployment of custom digital workflows, control over system resources, and the system-directed creation of transcoding profiles.

Following our launch of New Brevity, we anticipate the frequent addition of new features to New Brevity both from our feature roadmap and strategic use cases. We believe that the ability to frequently and rapidly add new features without impacting the performance of our service is critical to remaining relevant in our rapidly changing industry. New Brevity and its microservices based architecture will provide us with that capability through the use of a Continuous Delivery Pipeline.

We believe that New Brevity will serve as our platform for recurring revenue growth and cash flow profitability in the future.

Results of Operations – Three months ended September 30, 2015 and 2014

The following discussions are based on our statements of operations for the three months ended September 30, 2015 and 2014 (unaudited) and notes thereto.

The tables presented below, which compare our 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 second 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. Where percentages would not be meaningful, an asterisk is shown.

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Three months ended September 30, 2015 (Unaudited) Compared to

Three Months Ended September 30, 2014 (Unaudited)

	For the three months ended September 30, 2015	2014	Dollar variance favorable (unfavorable)	% variance favorable (unfavorable)
Net sales	$394,452	$949,866	$ (555,414)	(58.5)%
Cost of sales	311,451	595,133	283,682	47.7%
Gross profit	83,001	354,733	(271,732)	(76.6)%
Operating expenses				
Selling, marketing and advertising	134,863	146,942	12,079	8.2%
General and administrative	571,547	441,736	(129,811)	(29.4)%
Total operating expenses	706,410	588,678	(117,732)	(20.0)%
Loss from operations	(623,409)	(233,945)	(389,464)	(166.5)%
Other income (expense)				
Interest income	178	71	107	150.7%
Interest expense	(39,053)	(152)	(38,901)	(25592.8)%
Other income (expense)	-	-	-	*%
Total other income (expense)	(38,875)	(81)	(38,794)	(47893.8)%
Loss before provision for income taxes	(662,284)	(234,026)	(428,258)	(183.0)%
Provision for income taxes	(98)	(1,600)	1,502	93.9%
Net loss	$(662,382)	$(235,626)	$ (426,756)	(181.1)%

Net Sales. Net sales decreased $555,414, or 58%, in the third quarter of 2015 compared to the third quarter of 2014 due to a $537,501 decrease in nonrecurring, project-based revenue, a net decrease of $42,768 in recurring revenue, and an increase of $24,855 in subcontract revenue. Nonrecurring revenue decreased due to changes in our project mix and resource strategy as we engaged on a higher volume of shorter duration projects during the quarter, which led to faster completion rates, higher overall profitability, and more effective balancing of our development resources between internal and external software development initiatives. The decrease in recurring revenue includes our loss of $28,923 in recurring revenue attributed to one customer that received outsourced data center management services from us, a legacy service offering that has low margins and that is not core to the business of providing digital broadcast solutions, and a net decrease of $13,845 attributed to customer losses and changes in customer usage. During the quarter, we performed subcontract services for one customer, including project oversight and the procurement and management of overseas development resources for their large development project, which we concluded this quarter.

Cost of Sales. Cost of sales decreased by $283,682, or 48%, in the third quarter of 2015 compared to the third quarter of 2014. The decrease resulted from a net reduction of $249,093 in payroll related expense, reductions in contractor expense and travel expense of $65,041 and $541, respectively, from changes in our project mix and resource strategy, and an increase of $30,993 in customer infrastructure operating expenses.

Gross Profit. We achieved a gross profit of $83,001 in the third quarter of 2015, a decrease of $271,732, or 77%, compared to a gross profit of $354,733 in the third quarter of 2014. The decrease in gross profit resulted from a $555,414 decrease in sales offset by a $283,682 reduction to cost of sales.

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Selling, Marketing and Advertising Expenses. Selling, marketing and advertising expenses decreased by $12,079, or 8%, in the third quarter of 2015 compared to the third quarter of 2014. The net decrease resulted from a net increase in payroll-related expense of $21,964 and reductions in both third party services and travel and related selling expenses of $31,322 and $2,721, respectively, as we shifted from a field sales model to one that leverages both inside sales and reseller channels to drive more profitable growth.

General and Administrative Expenses. General and Administrative expenses increased by $129,811, or 29%, in the third quarter of 2015 compared to the third quarter of 2014. The increase resulted from net increases in employee payroll and fees to third party developers of $129,137 and $42,031, respectively, and decreases in fees for professional services and general operating expenses of $13,821 and $27,536, respectively. These changes largely reflect our continued focus upon the internal development of AllDigital Brevity in general operating expenses.

Other Income (Expense). Other expense increased by $38,794, or 47,894%, in the third quarter of 2015 compared to $81 in the third quarter of 2014. The increase resulted from higher net interest expense of $38,901, which includes $37,957 of interest expense recognized in 2015 from our convertible secured notes, and a decrease of $107 in interest income.

Results of Operations – Nine Months Ended September 30, 2015 and 2014

The following discussions are based on the consolidated balance sheets as September 30, 2015 (unaudited) and December 31, 2014 and statements of operations for the nine months ended September 30, 2015 and 2014 (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 second 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. Where percentages would not be meaningful, an asterisk is shown.

Nine months ended September 30, 2015 (Unaudited) Compared to

Nine Months Ended September 30, 2014 (Unaudited)

	For the nine months ended September 30, 2015	2014	Dollar variance favorable (unfavorable)	% variance favorable (unfavorable)
Net sales	$1,801,429	$2,762,535	$ (961,106)	(34.8)%
Cost of sales	1,374,401	2,470,556	1,096,155	44.4%
Gross profit	427,028	291,979	135,049	46.3%
Operating expenses				
Selling, marketing and advertising	352,571	561,236	208,665	37.2%
General and administrative	1,597,059	1,322,441	(274,618)	(20.8)%
Total operating expenses	1,949,630	1,883,677	(65,953)	(3.5)%
Loss from operations	(1,522,602)	(1,591,698)	69,096	4.3%
Other income (expense)				
Interest income	380	652	(272)	(41.7)%
Interest expense	(66,740)	(670)	(66,070)	(9861.2)%
Other income (expense)	(19,173)	25,170	(44,343)	(176.2)%
Total other income (expense)	(85,533)	25,152	(110,685)	(440.1)%
Loss before provision for income taxes	(1,608,135)	(1,566,546)	(41,589)	2.7%
Provision for income taxes	(2,198)	(3,200)	1,002	31.3%
Net loss	$(1,610,333)	$(1,569,746)	$ (40,587)	(2.6)%

Net Sales. Net sales decreased $961,106, or 35%, in the first nine months of 2015 compared to the first nine months of 2014 due to a $1,332,222 decrease in nonrecurring, project-based revenue, a net decrease of $165,672 in recurring revenue, and an increase of $536,788 in subcontract revenue. Nonrecurring revenue decreased due to changes in our project mix and resource strategy as we engaged on a higher volume of shorter duration projects during the period, which led to faster completion rates, higher overall profitability, and more effective balancing of our development resources between internal and external software development initiatives. The decrease in recurring revenue includes our loss of $89,964 in recurring revenue attributed to one customer that received outsourced data center management services from us, a legacy service offering that has low margins and that is not core to the business of providing digital broadcast solutions, and a net decrease of $75,711 attributed to reductions in customer usage or loss. During the quarter we performed subcontract services for one customer, including project oversight and the procurement and management of overseas development resources for their large development project, which we concluded this quarter.

Cost of Sales. Cost of sales decreased by $1,096,155, or 44%, to $1,374,401 in the first nine months of 2015 compared to $2,470,556 in the first nine months of 2014. The decrease resulted from a net reduction of $855,365 in payroll-related expense, reductions in both outside contractor expense and travel expense of $273,348 and $36,680, respectively, from changes in our project mix and resource strategy, and an increase of $69,238 in customer infrastructure operating expenses.

Gross Profit. We produced a gross profit of $427,028 in the first nine months of 2015, an increase of $135,049, compared to a gross profit of $291,979 in the first nine months of 2014. The increase in gross profit resulted from a $961,106 decrease in sales offset by a $1,096,155 decrease to cost of sales.

Selling, Marketing and Advertising Expenses. Selling, marketing and advertising expenses decreased by $208,665, or 37%, in the first nine months of 2015 compared to the first nine months of 2014. The net decrease resulted from a net reduction in payroll-related expense of $69,624, and reductions in both third party services and travel and related selling expenses of $102,838 and $36,203, respectively, as we shifted from a field sales model to one that leverages both inside sales and reseller channels to drive more profitable growth.

General and Administrative Expenses. General and Administrative expenses increased by $274,618 or 21%, in the first nine months of 2015 compared to the first nine months of 2014. The increase resulted from net increases in employee payroll and fees to third party developers of $315,716 and $150,756, respectively, and decreases in fees for professional services and general operating expenses of $110,670 and $81,184, respectively. These changes largely reflect our continued focus upon the internal development of AllDigital Brevity in general operating expenses.

Other Income (Expense). Other expense increased by $110,685 or 440% in the first nine months of 2015 compared to the first nine months of 2014. The increase resulted from higher net interest expense of $66,070, which includes $67,088 of interest expense recognized in 2015 from our convertible secured notes, a decrease of $2,422 in losses on disposal of assets, an increase in interest income of $272, and an increase in other expense of $46,765 for a one-time benefit from a vendor settlement that was recognized in 2014.

Effects of Inflation

The impact of inflation was not significant to our financial condition or results of operations for the nine months ended September 30, 2015 and 2014.

Liquidity and Capital Resources

During the nine months ended September 30, 2015, we funded our operations primarily from issuing our 5% Senior Secured Convertible Notes due December 31, 2016, or 5% Notes, which were subsequently exchanged pursuant to the Amendment and Exchange Agreement to our 5% Senior Secured Convertible Notes due December 31, 2017, or Exchange Notes. Working capital as of September 30, 2015 and December 31, 2014 was $279,953 and $55,968, respectively. We had accumulated losses of $6,442,810 and $4,832,476 at September 30, 2015 and December 31, 2014, respectively. Our available capital resources at September 30, 2015 consisted primarily of $828,406 in cash and cash equivalents.

As of September 30, 2015, we had current assets of $979,744, including $828,406 in cash and cash equivalents. Cash increased from $485,761 at December 31, 2014 to $828,406 at September 30, 2015, due primarily to $1,305,000 of cash provided by the issuance of our 5% Notes. Net cash used in operating activities was $895,832 and $1,526,518 for the nine months ended September 30, 2015 and 2014, respectively.

On August 10, 2015, we received notice from a longstanding, material customer of their plan to insource and reduce the majority of their AllDigital services, representing approximately $19,000 of our monthly recurring revenue and 9.6% of our total revenue for the nine months ended September 30, 2015. This reduction in services became effective on October 9, 2015 and is not reflected in our financial results.

We expect that our future available capital resources will consist primarily of cash on hand, cash generated from our business, if any, and future debt and/or equity financings, if any.

Our future success is dependent upon a number of factors, including (i) access to capital, and our success at growing our recurring revenues and operating cash flows to continue developing, operating and maintaining our proprietary AllDigital Brevity and AllDigital Cloud platforms and services, including our successful launch of and sufficient customer demand for New Brevity, which we believe will serve as our platform for recurring revenue growth and cash flow profitability in the future, (ii) the ability to commercialize our portfolio of digital broadcasting solutions, and (iii) our ability to attract and retain key sales, business and product development, and other personnel as our business and offerings continue to mature. We may encounter setbacks related to these activities.

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 or equity-linked securities (such as warrants, convertible notes 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. We do not have any commitments to provide capital.

We believe that when considering the loss of our material customer, current and future available working capital resources and revenues generated from operations will be adequate to meet our anticipated working capital and capital expenditure requirements through the first quarter of 2016. Thus, we require additional financing. Our failure to raise capital could prevent our ability to continue as a going concern.

No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to our common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. At a minimum, we expect these covenants to include restrictions on our ability to pay dividends on our common stock. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. See “Risk Factors.”

Off-Balance Sheet Arrangements

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, our principal accounting officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Security and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2015 that our disclosure controls and procedures were not effective at the reasonable assurance level because of the material weaknesses in internal control over financial reporting described below.

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, our management previously determined that as of December 31, 2014 we had material weaknesses in our internal control over financial reporting and our management identified the following material weaknesses:

We have an insufficient quantity of dedicated resources and experienced personnel involved in reviewing and implementing internal controls. As a result, a material misstatement of the interim and annual financial statements could occur and not be prevented or detected on a timely basis.

We have insufficient resources to achieve the optimal level of segregation of duties relative to key financial reporting functions.

Previously, our entire board of directors performed the functions generally performed by an audit committee, and none of the members of our board of directors qualified as an audit committee financial expert. While not being legally obligated to have an audit committee or independent audit committee financial expert, it is management's view that to have an audit committee, comprised of independent board members, and an independent audit committee financial expert is an important entity-level control over our financial statements.

We have insufficient resources to achieve an optimal segregation of duties for our executive officers.

We did not have sufficient quantity or qualified personnel to manage a timely period end financial reporting.

In light of the material weaknesses described above, additional analyses and other procedures were performed to ensure that our consolidated financial statements included in this Quarterly Report on Form 10-Q were prepared in accordance with GAAP. These measures included expanded quarter-end closing procedures, the dedication of significant internal resources and reconciliations and management's own internal reviews and efforts to remediate the material weaknesses in internal control over financial reporting described above. As a result of these measures, management concluded that our consolidated financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented in conformity with GAAP.

Management's Remediation Initiatives and Interim Measures

In response to the identified material weaknesses, we have dedicated significant resources to improve our control environment. Management believes that actions taken beginning in December 2014, along with other improvements not yet fully implemented, will address the material weaknesses in our internal control over financial reporting noted above. Our management plans to continue to review and make changes to the overall design of our control environment, including the roles and responsibilities within the organization and reporting structure, as well as policies and procedures to improve the overall internal control over financial reporting. In particular, we have implemented, or plan to implement, the measures described below to remediate the material weaknesses described above.

Assessing the current duties of existing personnel, assigning additional duties to existing personnel, and, in a cost effective manner, potentially hiring additional personnel to assist with the preparation of our financial statements to allow for proper segregation of duties, as well as additional resources for control documentation.

Assessing the duties of our officers, diversifying duties and responsibilities of such executive officers where needed.

Reviewing our internal controls and controls design with outside consultants that are experts in designing internal controls over financial reporting based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (as revised).

Evaluating the composition of our board of directors, with particular focus on issues of independence. In April, 2015, our board of directors created and nominated an audit committee which consists of independent board members. Our board of directors also nominated an audit committee financial expert.

We expect that these improvements and procedures will be substantially implemented by March 31, 2016, and we intend to continue to monitor the effectiveness of these actions and will make changes that management determines are appropriate.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Changes in Internal Control over Financial Reporting

Except for the remedial actions described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13aa-15 under the Exchange Act that occurred during the three months ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, or internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On July 23, 2015, Donald Harris, an individual, Amir Ecker, an individual, and Alexander Keszeli, an individual, collectively the Plaintiffs, filed a complaint against AllDigital Holdings, Inc., Stephen Smith, an individual, and Timothy Napoleon, an individual, collectively the Defendants, in the Superior Court of California, County of Orange (Case No.: 30-2015-00800862-CU-SL-CXC). The Plaintiffs allege that they were collectively misled into purchasing $1,485,000 of our Convertible Promissory Notes, or Investor Convertible Notes. The Investor Convertible Notes were subsequently converted into shares of our common stock pursuant to the terms of the Investor Convertible Notes. We are in the process of answering the complaint. The ultimate resolution of this proceeding and matters are inherently difficult to predict; as such, our operating results could be materially affected by the unfavorable resolution of this proceeding for any particular period, depending, in part, upon the operating results for such period. We believe that the allegations made in the complaint are without merit and, as such, the Company intends to vigorously defend against the allegations made in the complaint.

In addition, we are subject to legal proceedings, claims and litigation arising in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability cannot presently be determined because of considerable uncertainties that exist. Therefore, it is possible that the outcome of those legal proceedings, claims and litigation could adversely affect our quarterly or annual operating results or cash flows when resolved in a future period. However, based on facts currently available, management believes such matters will not adversely affect in any material respect our financial position, results of operations or cash flows.

ITEM 1A. 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 have a limited operating history and cannot ensure the long-term successful operation of our business or the execution of our business plan.

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

establishing and maintaining broad market acceptance of our products, technology, services, and platform, and converting that acceptance into direct and indirect sources of revenue;

establishing and maintaining adoption of our products, technology, services, and platforms on a wide variety of devices and device platforms;

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

developing products, technology, services, and platforms that result in a high degree of customer satisfaction and a high level of end-customer usage;

successfully responding to competition, including competition from emerging technologies and solutions;

developing and maintaining strategic relationships to enhance the distribution, features, content and utility of our products, technology, services, and platforms; and

identifying, attracting and retaining talented technical services, engineering, and creative services staff at reasonable market compensation rates in the markets in which we employ.

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

We have a history of only nominal revenues, have incurred losses, expect continued losses and may never achieve profitability. If we continue to incur losses, we may have to curtail our operations, which may prevent us from successfully selling our products and services as well as operating and expanding our business.

We have a history of only nominal revenues, have not been profitable and expect continued losses. Historically, we have relied upon cash from financing activities to fund substantially all of the cash requirements of our activities and have incurred significant losses and experienced negative cash flow. As of September 30, 2015, we had an accumulated deficit of $6,442,810 and incurred a net loss of $1,610,333 during the nine months ended September 30, 2015. We cannot predict when we will become profitable or if we ever will become profitable. We may continue to incur losses for an indeterminate period of time and may never achieve or sustain profitability. Even if we are able to achieve profitability, we may be unable to sustain or increase our profitability on a quarterly or annual basis. An extended period of losses and negative cash flow may prevent us from successfully selling our products and services and operating or expanding our business. As a result of our financial condition, our independent auditors have issued a report questioning our ability to continue as a going concern.

We are seeking additional financing to meet our liquidity and capital expenditure requirements and may be unable to obtain this financing on a timely basis, in sufficient amounts, on terms acceptable to us or at all. Any financing we are able to obtain may be available only on burdensome terms that may cause significant dilution to our stockholders and impose onerous financial restrictions on our business.

We are seeking additional financing to meet our liquidity and capital expenditure requirements. Management believes that without additional financing, our current cash on hand and expected cash flow from operations will be sufficient to fund our liquidity and capital expenditure requirements only through the first quarter of 2016. Future financing may not be available on a timely basis, in sufficient amounts, on terms acceptable to us or at all. Any equity financing may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to our common stock will likely include financial and other covenants that will restrict our flexibility. At a minimum, we would expect these covenants to include restrictions on our ability to pay dividends on our common stock. Any failure to comply with these covenants could have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose any then-existing sources of financing and our ability to secure new financing may be impaired. In addition, any prospective debt or equity financing transaction will be subject to the negotiation of definitive documents and any closing under those documents will be subject to the satisfaction of numerous conditions, many of which could be beyond our control. We may be unable to obtain additional financing from one or more lenders or equity investors, or if funding is available, it may be available only on burdensome terms that may cause significant dilution to our stockholders and impose onerous financial restrictions on our business.

Our independent auditors have issued a report expressing substantial doubt about our ability to continue as a going concern. This report may impair our ability to raise additional financing and adversely affect the price of our common stock.

The report of our independent auditors contained in our financial statements for the years ended December 31, 2014 and 2013 filed with our Annual Report on Form 10-K for the year ended December 31, 2014, includes a paragraph that explains that we have incurred significant losses and negative cash flows from operations. This report raises substantial doubt about our ability to continue as a going concern. Reports of independent auditors questioning a company's ability to continue as a going concern are generally viewed unfavorably by analysts and investors. This report may make it difficult for us to raise additional debt or equity financing necessary to continue the development of AllDigital Brevity. We urge potential investors to review this report before making a decision to invest in us.

Our disclosure controls and procedures and internal control over financial reporting are not effective, which may cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management evaluated our disclosure controls and procedures as of September 30, 2015 and concluded that as of that date, our disclosure controls and procedures were not effective. The ineffectiveness of our disclosure controls and procedures was due to (i) insufficient resources, (ii) inadequate segregation of duties for key financial reporting functions, and (iii) insufficient segregation of duties for our executive officers.

As of the date of this quarterly report on Form 10-Q, we believe that these material weaknesses continue to exist and our disclosure controls and procedures and internal control over financial reporting are not effective. If such material weaknesses and ineffective controls are not promptly corrected in the future, our ability to report quarterly and annual financial results or other information required to be disclosed on a timely and accurate basis may be adversely affected. Also such material weaknesses and ineffective controls could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

We are in the early stages of the full production version of our AllDigital Brevity platform and we cannot be certain that AllDigital Brevity will perform as expected and/or be accepted by our current and potential customers.

We have only recently deployed the full production version of AllDigital Brevity. Accordingly, our AllDigital Brevity platform may not perform as expected and we may not be able to address some or all of the early stage production challenges that may occur. Even if our AllDigital Brevity platform performs as expected, we may not be successful in marketing and selling the platform to current or potential customers. Any failure to address early production or market acceptance challenges would significantly harm our results of operations and financial condition.

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

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

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

The platform architecture and data tracking technology underlying our product offerings, including our AllDigital Brevity and AllDigital Cloud platforms, broadcasting network services, and cloud services software tools and back-end services is complex and includes software and code used to generate customer invoices. This software and code is either developed internally or licensed from third parties. Any of the system architecture, system administration, software or code may contain errors, or may be implemented or interpreted incorrectly, particularly when they are first introduced or when new versions or enhancements to our tools and services are released. In addition, with respect to certain usage-based billing, the data used to bill the customer for usage is an estimate, based upon complex formulas or algorithms developed by and included in third party applications that we use. 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.

For the three months ending September 30, 2015, our four largest billing relationships accounted for approximately 67% of our 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 2015. Decisions by one or more of these key customers and/or partners to not renew, terminate or substantially reduce their use of our products, technology, services, and platform could substantially slow our revenue growth and lead to a decline in revenue. Our business plan assumes continued growth in revenue, and it is unlikely that we will become profitable without an 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 the commencement of our current operations, we have invested significant time and expense towards developing our products, technology and services in order to capitalize on current market opportunities. If we are successful at raising additional capital, we intend to increase our operating expenses and capital expenditures in order to further the development and distribution of our AllDigital Brevity platform and other product offerings. If we are to increase our operating expenses and capital expenditures and are not successful at selling AllDigital Brevity at projected levels, we may incur substantial operating and net losses in the foreseeable future. There can be no assurance that we will achieve or sustain profitability or positive cash flow from our operations.

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

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

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

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

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

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

We may have insufficient human resources in software development, project management, and quality control to manage large customer projects.

Our operations are dependent in part upon the availability of adequate human resources to manage and develop our various platforms, including AllDigital Brevity and AllDigital Cloud, and specific customer development projects. We may not be adequately prepared for unexpected increases in integration service development efforts required by prospective or existing customers. Software development is a human resource intensive process in an increasingly competitive environment for talented people, a lack (or loss) of which could result in an immediate decline in revenue and possible additional decline in revenue as a result of subsequent customer losses. The loss of developers and related staff can also create delays in providing development services to our customers also potentially resulting in a loss of revenue.

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

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

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

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

- that the combined entity will not perform as well as the separate businesses performed prior to the transaction;
- that anticipated cost savings, cross-marketing to new customers or other anticipated synergies will not be achieved;
- that management resources will be diverted towards negotiating and effecting the acquisition and then integrating the operations and personnel of the acquired business, instead of focusing on our existing business plan and operations;

that the stock and/or other consideration paid in the transaction will exceed the value of the assets or business acquired;

that the use of cash as consideration for the transaction will reduce cash that may be needed for operations below necessary levels;

that if we enter into a transaction, such transaction may delay our ability to raise needed capital on a stand-alone basis while the transaction is underway and not yet consummated, and/or impair the combined company's ability to raise capital in the event the transaction is consummated, and/or accelerate our need for capital as a combined company in the event the transaction is consummated, and the terms of any such capital raise may be onerous, if we are even successful at being able to raise needed capital;

that we may be assuming potential unknown liabilities of the acquired business; and

that if we do not consummate such a transaction, we will have expended substantial costs and resources without achieving the anticipated benefit.

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

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

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

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

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

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

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

As part of our product offering, we facilitate the billing by our customers of their end customers, including end customers that may purchase products using credit cards or otherwise provide personal financial and other information over our network. Unauthorized access to our platform and underlying infrastructure, including certain servers for example, may jeopardize the security of the personal information stored in our computer systems and our customers' computer systems. If this occurs, we may be liable to our customers beyond any insured levels, which on its own or combined with the potential loss of current customers or future customers as a result of the reputational harm associated with such a breach could have a material adverse effect on our business, financial condition and results of operations.

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

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

Our platform, technology, products, and services and underlying infrastructure, or that of our key suppliers, may be damaged or destroyed by events beyond our control, such as fires, earthquakes, floods, power outages or telecommunications failures. Our operations are particularly susceptible to interruption from any of the foregoing because many of our servers and much of our infrastructure is located in Southern California, which is prone to the occurrence of the foregoing events.

We and our customers and/or partners may experience interruptions in service as a result of the accidental or malicious actions of Internet users, hackers or current or former employees.

We may face liability for transmitting viruses to third parties that damage or impair their access to computer networks, programs, data or information. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to our customers.

Failure of our systems or those of our suppliers may disrupt service to our customers (and from our customers to their customers), which could materially impact our operations (and the operations of our customers), adversely affect our relationships with our customers and lead to lawsuits and contingent liability.

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

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 acquired two patents in connection with our purchase of the assets of Brevity Ventures, Inc. These patents secure our rights to specific processes and underlying algorithms that differentiate AllDigital Brevity from other competitive offerings. Our inability to protect and defend these patents could have a material adverse impact upon our business, including our ability to reach cash flow profitability.

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

- We have not applied for a copyright registration or patents with respect to our proprietary rights, and, as a result, we may have limited legal recourse against others who use our technology or similar technology.
- Our claims of proprietary ownership (and related common law copyright assertions) may be challenged or otherwise fail to provide us with the ability to prevent others from copying our technology.
- Our existing trademarks or any future trademarks may be canceled or otherwise fail to provide meaningful protection.
- Counterparties to nondisclosure agreements disclose or use our intellectual property in breach of governing agreements, and our ability to prevent or obtain damages for such breach may be limited by our financial situation, legal restrictions or other issues.
- If we use open source technology, with or without our knowledge, we may become subject to “copyleft” agreements requiring us to license proprietary technology to third parties.

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

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

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

- cease selling, incorporating or using services, technology, platform or products that rely upon the disputed intellectual property;

- obtain from the holder of the intellectual property a license to sell or use the disputed intellectual property, which license may not be available on terms acceptable to us or at all;

- redesign services, technology, products, platform or portions of services, technology or products, that incorporate disputed intellectual property;

- pay increased license fees for certain implementations of open source or other third party software licenses which were not anticipated under an existing license or agreement; and

- pay monetary damages to the third party adjudged to be the rightful holder of the intellectual property right.

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

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

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

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

Risks Related to Our Industry

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

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

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

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

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

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

our customers may limit their distribution of digital media and related digital services to devices because of issues related to protection of copyrights, media and entertainment company studio approvals related to content protection, royalty payments to artists and publishers, illegal copying and distribution of data and other intellectual property rights issues;

congestion of data networks, or consumer reluctance to purchase high-speed Internet connectivity for their device, may limit the growth of the distribution of content and related digital services to devices;

consumers may determine not to view or access digital services on their devices because of, among other factors, poor reception of the broadcast or other delivery of the services, or the creation or expansion of competing technologies, that provide a similar service at lower cost or with better features; and

new laws and regulations may negatively affect consumers' and businesses' use of the Internet or devices, thereby reducing demand.

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

Risks Related to Our Capital Stock and Capitalization

We cannot predict the extent to which an active public trading market for our common stock will develop or be sustained. If a public trading market does not develop or cannot be sustained, you may be unable to liquidate your investment in AllDigital.

We cannot predict the extent to which an active public market for our common stock will develop or be sustained due to a number of factors, including the fact that we are a small company that is relatively unknown to stock analysts, stock brokers, institutional investors, and others in the investment community that generate or influence sales volume, and that even if we came to the attention of such persons, they tend to be risk-averse and would be reluctant to follow an unproven company such as ours or purchase or recommend the purchase of our shares of common stock until such time as we became more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a public trading market for our common stock will be sustained. If such a market cannot be sustained, you may be unable to liquidate your investment in AllDigital.

In addition, the market price for our common stock may be particularly volatile given our status as a relatively small company with a small and thinly-traded “public float” that could lead to wide fluctuations in our share price. You may be unable to sell your common stock at or above your purchase price if at all, which may result in substantial losses to you.

Our common stock may be subject to significant price volatility which may have an adverse effect on your ability to liquidate your investment in our common stock.

The market for our common stock may be characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will be more volatile than a seasoned issuer for the indefinite future. The potential volatility in our share price is attributable to a number of factors. First, our common shares may be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer that could better absorb those sales without adverse impact on its share price. Secondly, an investment in us is a speculative or “risky” investment due to our lack of meaningful revenues or any profits to date and uncertainty of future market acceptance for current and potential products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer.

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

Through such audits, inquiries and investigations, a regulator or we 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 equity and equity-linked securities including common stock, preferred stock, warrants and convertible debt. 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.

Our ability to issue preferred stock and additional shares of 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 shares of preferred stock and 90,000,000 shares of common stock without seeking stockholder approval. Any issuance of preferred stock or additional shares of 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;

not traded on a national stock exchange, such as NASDAQ or the NYSE ;

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

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 account statements; and

a written statement of the customer’s financial situation and investment goals.

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

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Index to Exhibits

Exhibit Number	Description
31.1	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certifications Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (*)
101.SCH	XBRL Taxonomy Extension Schema (*)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (*)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (*)
101.LAB	XBRL Taxonomy Extension Label Linkbase (*)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (*)

(*) Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

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.
November 16, 2015	By: */s/ Michael Linos*
Date	Michael Linos, Chief Executive Officer
November 16, 2015	*/s/ Brad Eisenstein*
Date	Brad Eisenstein, Chief Financial Officer and Chief Operating Officer

EXHIBITS FILED WITH THIS REPORT

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