ALLDIGITAL HOLDINGS, INC.
Form 10-K
April 20, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

[ ] 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)	(IRS Employer Identification No.)

6 Hughes, Suite 200 Irvine, California 92618

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (949) 250-7340

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Report or any amendment to this Report. [X]

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 definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

[ ] Large Accelerated Filer	[ ] Accelerated Filer
[ ] Non-accelerated Filer (Do not check if a smaller reporting company)	[X] Smaller reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act): YES [ ] NO [X]

The aggregate market value of the voting common equity held by non-affiliates of the registrant computed by reference to the closing sale price of such stock, was approximately $1,396,496 as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter. The registrant has no non-voting common equity.

As of April 17, 2015, the registrant had 38,254,959 shares of common stock, $0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

CAUTIONARY STATEMENT

All statements included or incorporated by reference in this Annual Report on Form 10-K (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 and expenses; our accounting estimates, assumptions and judgments; the demand for our products; the competitive nature of and anticipated growth in our industry; and our prospective needs for additional capital. These forward-looking statements are based on our current expectations, estimates, approximations and projections about our industry and business, management's beliefs, and certain assumptions made by us, all of which are subject to change. Forward-looking statements can often be identified by such words as "anticipates," "expects," "intends," "plans," "predicts," "believes," "seeks," "estimates," "may," "will," "should," "would," "could," "potential," "continue," "ongoing," similar expressions and variations or negatives of these words. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, some of which are set forth in the "Risk Factors" section of this Report, which could cause our financial results, including our net income or loss or growth in net income or loss to differ materially from expected results, which in turn could, among other things, cause the price of our common stock to decrease. 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

Item 1. Business

Throughout this Report, AllDigital Holdings, Inc. and AllDigital, Inc., as a consolidated entity, are referred to as “AllDigital”, the “Company”, “we” 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.” We have registered or are in the process of registering the following trademarks: AllDigital® and Cablebox™. 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.

“Content Management System” (“CMS”) is a Software as a Service (“SaaS”) platform that allows for the management of digital media assets, data exchange with digital services and data management.

“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.

“graphics display resolution” is the width and height dimensions of an electronic visual display device, such as a computer monitor, in pixels. Certain combinations of width and height are standardized and typically given a name that is descriptive of its dimensions. A higher display resolution in a display of the same size means that displayed content appears sharper. Video dimensions with width 1280 pixels and height 720 are considered high definition.

“machine virtualization and multi-tenancy” 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. Multi-tenancy allows these platform resoruces 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

AllDigital engineers software and hardware based digital broadcasting solutions to accelerate and optimize the distribution of digital video over the Internet. Our digital broadcasting solutions are built around proprietary product and service offerings. AllDigital Brevity uses our 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 our 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.

General Outlook

We expect that the need for digital broadcasting solutions will accelerate significantly over the next 2-3 years, which acceleration we anticipate will be driven by the convergence of the following two key market dynamics: (i) the market for devices is substantial and rapidly growing and (ii) digital services are increasingly critical to enterprise core business applications, are implemented to achieve a wide variety of objectives, and are rapidly proliferating. We believe that the growth of the digital services market will not be sustainable without the support from third party service providers that offer the digital broadcasting 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 AllDigital Brevity and AllDigital Cloud platforms and services, including our completing the development of a highly scalable and multitenant variant of AllDigital 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.

Market Opportunity

We believe digital services are: rapidly proliferating; implemented to achieve a wide variety of objectives; driving new business models and strategies; increasingly critical to enterprise core business applications; and changing the way organizations store, originate, and distribute digital media and software applications.

Some of the challenges facing our target market that we address with our products, services, and technologies include:

- Transporting digital media assets, including high and ultra high definition video files quickly and efficiently
- Transcoding digital media assets from one to another or many different codecs;
- Storing and retrieving digital media assets at different stages of a digital media workflow;
- Providing digital media workflow tools to popular cloud services such as Microsoft Azure and Amazon AWS.

Industry Overview

The Internet plays a crucial role in the way organizations and individuals conduct business and communicate internally and externally. The development of various Internet-based technologies has enabled fundamental and structural changes in the way digital media services are being delivered. We expect that the need for digital broadcasting solutions will continue to accelerate significantly over the next 2-3 years, which we anticipate will be driven by the demand for high quality digital content.

The market for digital content is substantial and rapidly growing

- According to Forbes, analysts are predicting that connected devices worldwide could top 50 billion in the next ten years.
- According to Digital TV Research, the estimated number of TVs connected to the Internet exceeded 300 million and is expected to exceed 750 million by 2018.
- According to Google, Android devices have exceeded 1 billion activations.
- Juniper Research predicts that Mobile Smart Wearable Devices will be a $19 Billion industry by 2018.

Target Market Segments

We have targeted several industry segments that we believe to be responsive to a comprehensive offering of digital broadcasting solutions. Our business strategy is to provide the products, technologies and services that enable our target customers to distribute, with a high quality of service, a wide range of digital services without requiring significant in-house technical resources.

Examples of our targeted industry segments include:

Media and Entertainment (broadcasting, pre-post production)

Education

Enterprise/Government/Nonprofit

Faith-Based Organizations

Hardware Manufacturers

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Products and Services

Our product and service offerings include: AllDigital Brevity, AllDigital Cloud, and AllDigital Integration Services.

AllDigital Brevity

AllDigital Brevity is a solution for transporting large, digital media files over the Internet. With its patented technology, it reduces the transport payload while simultaneously transcoding files being sent from one to many locations in one to many formats from the convenience of a highly intuitive control panel.

AllDigital Cloud

AllDigital Cloud is a unified digital broadcasting and cloud services platform dedicated to ingesting, storing, preparing, securing, managing, monetizing, converting and distributing digital media across devices. It enables and supports a variety of complex digital broadcasting workflow and digital service implementations. AllDigital Cloud also maximizes the performance of, and offers significant scale and pricing advantages related to, the cloud-based storage, cloud processing and origin transit of digital media to and from devices.

AllDigital Integration Services

AllDigital Integration Services refers to the varying levels of professional services required to customize and integrate the AllDigital Cloud and AllDigital Brevity platforms to support a digital service with a customer's proprietary systems and/or other specific requirements. This is sometimes referred to as "platform on-boarding."

Sales and Marketing

We have provided and/or we are actively providing services to a variety of media and entertainment, enterprise, and organization (government/non-profit) customers since we began our current operations in August 2009. To date, we have obtained our customers as a result of direct sales, word of mouth and/or partner referrals.

The following lists some of the types of accounts that we engage on through our direct sales team and reseller channel.

Enterprise

Producers and distributors of digital video content are increasingly adopting public cloud computing services to avoid costly infrastructure build-out and to bring added efficiencies to SaaS-based business models among others. As video applications are migrated off sophisticated and expensive networks onto hybrid broadcast environments in the cloud, they are exposed to an often-unpredictable public Internet.

AllDigital Brevity, with its video workflows to the cloud, provides the performance, availability, scalability and security expected of an enterprise-level solution along with the anticipated cost savings of a cloud deployment.

Small and Medium Business

Primarily for video professionals, AllDigital replaces the need to deliver video projects on DVD or hard-drive and enables the sending of files optimized for consumer and corporate video users on mobile, desktop and connected television platforms.

OEM / Reseller

AllDigital Brevity for Video OEMs enables camera manufacturers and video software suppliers to license and bundle features of AllDigital Brevity into their products. These resellers expose the AllDigital Brevity to potentially large sets of users.

Dependence on Certain Customers

We have served and/or we are actively serving a variety of media and entertainment, enterprise, and government/non-profit customers since we began our current operations in August 2009. As of December 31, 2014, we had 22 direct customers. We also act as a subcontractor for certain of these customers, servicing and supporting a total of 19 accounts. Through the year ending December 31, 2014, our four largest billing relationships accounted for approximately 68% of our total billings. Rogers Communications accounted for 30%, Cox Media Group accounted for

21%, and both Chideo and Zodiac Interactive each accounted for 8%, respectively.

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Intellectual Property

We acquired two issued U.S. patents when we purchased the assets of Brevity Ventures, Inc. in 2014, including:

- United States Patent No. 8,533,166 B1 – Methods and systems for encoding/decoding files and transmission thereof, issued September 10, 2013
- United States Patent No. 8,874,531 B2 – Methods and systems for encoding/decoding files and transmission thereof, issued October 28, 2014

Both issued patents address technological solutions involving transferring very large files (e.g., megabytes to terabytes) from a sending computer to a recipient computer(s) over a computer network in a concurrent manner such as to result in an optimum synchronization (i.e., the synchronized pipeline between the sender and recipient computers) of all involved operations: segmenting, compressing, transmitting of the initial file having initial format at the sending computer to receiving, decompressing, transcoding, and assembling segments into a final file having a different format at the recipient computer(s).

In addition, we have a pending U.S. patent application (Serial No. 14/524,610).

We depend on our ability to develop and maintain the proprietary aspects of our technology. We also seek to protect our copyrights, trade secrets and other proprietary information through a combination of contractual provisions, confidentiality procedures and common law copyright and trademark principles.

We have not sought or obtained registered copyright or patent protection for our other intellectual property. We have applied for federal registration of certain trademarks in order to develop a trademark portfolio and protect our brand. Two applications related to the registration of the word mark for ALLDIGITAL were filed on October 16, 2009. As of April 2012, both of our applications were approved as registered marks. We plan to explore applying for additional trademarks in 2014.

We believe that additional elements of AllDigital Brevity and elements of AllDigital Cloud, certain components of our advanced App frameworks, and certain new technologies under development may have patent potential. As we raise additional capital, we expect to investigate such potential, and if appropriate, commence a provisional patent application filing process.

Competition

The market for our services is growing and evolving as rapid technological advancements and changing industry standards are driving the demand for digital content.

We compete with companies offering products and services that enable a more effective use of the Internet in a digital media workflow. These companies have offerings that are designed to address one or many needs, which include high-speed file transport, cloud storage, transcoding, and content distribution. We compete primarily on the basis of:

- ease of implementation and use of service
- product features and capabilities
- reduced infrastructure complexity
- return on investment in terms of cost savings and new revenue opportunities for our customers
- scalability
- our knowledge and expertise, and our ability to design unique solutions to solve digital media complexities
- price

We believe that we compete favorably with other companies in our industry through our patented technologies, platform designs, and industry knowledge and expertise.

Employees

We have fifteen full time employees. None of our employees are represented under a collective bargaining agreement.

Corporate History

Aftermarket Enterprises, Inc. was incorporated in August 2006 in the State of Nevada. On July 29, 2011, AllDigital, Inc., which was incorporated in August 2009 in California, merged with and into a subsidiary of Aftermarket Enterprises, Inc. and became a wholly owned subsidiary of Aftermarket Enterprises, Inc. Shares issued in the transaction constituted approximately 74% of the outstanding shares of common stock post-closing, and the officers and directors of AllDigital, Inc. became the officers and directors of Aftermarket Enterprises, Inc. In August 2011, we changed the name of Aftermarket Enterprises, Inc. to AllDigital Holdings, Inc.

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 December 31, 2014, we had an accumulated deficit of $4,832,476. For the years ended December 31, 2014 and 2013, we incurred net losses of $1,858,923 and $552,311, respectively. 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 into the third quarter of 2015. 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 questioning 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 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 AllDigital Holdings.

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 December 31, 2014 and concluded that as of those dates, 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 executive officers of the Company.

As of the date of this annual report on Form 10-K, 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.

Through the year ending December 31, 2014, our four largest billing relationships accounted for approximately 62% 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, 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;

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- 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;

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- 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.

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

As part of our product offering, we facilitate the billing by our customers of their end customers, including end customers that may purchase products using credit cards or otherwise provide personal financial and other information over our network. Unauthorized access to our platform and underlying infrastructure, including certain servers for example, may jeopardize the security of the personal information stored in our computer systems and our customers' computer systems. If this occurs, we may be liable to our customers 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Irvine, California in a leased facility of approximately 3,769 square feet. This facility contains all of our operations, including sales and marketing, finance, administration, and software development. The facility is leased under a non-cancelable operating lease agreement expiring December 31, 2017, with possible renewal upon the agreement of both parties at the current market rate. Monthly rent will be $3,731 through December 31, 2015, and will increase to $6,407 and $6,784 on January 1, 2016 and January 1, 2017, respectively.

We believe this facility is adequate for our anticipated business purposes for the foreseeable future. We have leased servers in colocation facilities in Denver, Colorado and Irvine, California.

Item 3. Legal Proceedings

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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Market Information

Our common stock is quoted on the OTC Bulletin Board under the symbol "ADGL." The table below sets forth the high and low bid quotations for our common stock as reported on the OTC Bulletin Board for the periods indicated.

	Price Range	
	High	Low
Fiscal Year Ended December 31, 2014		
Quarter ended March 31, 2014	$0.40	$0.12
Quarter ended June 30, 2014	$0.23	$0.10
Quarter ended September 30, 2014	$0.13	$0.07
Quarter ended December 31, 2014	$0.11	$0.05
Fiscal Year Ended December 31, 2013		
Quarter ended March 31, 2013	$1.01	$0.18
Quarter ended June 30, 2013	$0.20	$0.11
Quarter ended September 30, 2013	$0.17	$0.10
Quarter ended December 31, 2013	$0.48	$0.10

The quotations set forth above reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Security Holders

As of April 17, 2015, we had 38,254,959 shares of common stock outstanding held by 117 owners of record, with an owner of record defined as a security holder, an institution holding common stock on behalf of one or many security holders, and partnerships, trusts, and other investment structures that hold shares on behalf of security holders.

Dividends

We have not paid dividends on our common stock to date. We currently intend to retain future earnings, if any, to fund our operations and the development and growth of our business and, therefore, do not anticipate paying cash dividends on our common stock within the foreseeable future. Any future payment of dividends on our common stock will be determined by our board of directors and will depend on our financial condition, results of operations, contractual obligations and other factors deemed relevant by our board of directors.

Equity Compensation Plan Information

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our only existing equity compensation plan as of December 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
2011 Stock Incentive Plan (1)	7,650,364	$ 0.13	1,059,636
Total	7,650,364	$ 0.13	1,059,636

(1) The AllDigital Holdings, Inc. Amended and Restated 2011 Stock Incentive Plan, or 2011 Plan, is administered by our Board of Directors and provides for the granting of securities to employees, officers, directors and our other service providers. Our stockholders have approved the 2011 Plan.

Recent Sales of Unregistered Securities

Not Applicable.

Item 6. Selected Financial Data

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion contains statements that constitute forward-looking statements. Such statements can be identified by the use of the forward-looking words "anticipate," "estimate," "project," "likely," "believe," "intend", "expect" "will" or similar words. When considering such forward-looking statements, you should keep in mind the risk factors *noted in the section of this Report entitled "Risk Factors" and other cautionary statements throughout this Report. You should also keep in mind that all forward-looking statements are based on management's existing beliefs about present and future events outside of management's control and on assumptions that may prove to be incorrect. The forward-looking statements and associated risks may include, relate to or be qualified by other important factors, including, without limitation: our business strategy for expanding, maintaining or contracting our presence in these markets and anticipated trends in our financial condition and results of operations We do not undertake to update, revise or correct any forward-looking statements. Any of the factors described above, elsewhere in this Report or in the "Risk Factors" section of this Report 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.*

Overview of our Business

AllDigital engineers software and hardware based digital broadcasting solutions to accelerate and optimize the distribution of digital video over the Internet. Our digital broadcasting solutions are built around our proprietary product and service offerings, including AllDigital Brevity, AllDigital Cloud, and AllDigital Integration Services.

Our business faced a number of challenges in 2014 that impacted our financial results. From late 2013 through the first quarter of 2014, we experienced a significant business interruption due, in part, to the turnover of numerous key employees, including project managers, developers, and certain executives, which inhibited our ability to focus on new sales opportunities. In an effort to stabilize our company and quickly return it to more normal business levels, we added more expensive contract resources which, combined with lower sales, significantly impacted our overall profitability through the end of the second quarter when our operations returned to more normal business levels. Our business experienced a further setback in August 2014 with the unexpected passing of our CEO and co-founder, Paul Summers.

In the fourth quarter of 2014, we raised $750,000 through the issuance and sale of an aggregate of $750,000 in principal of our 5% Senior Secured Convertible Notes, or Notes. We used $400,000 of the proceeds in October 2014 to purchase the assets out of bankruptcy of Brevity Ventures, Inc, the company that founded and developed Brevity, a software and hardware based service that transcodes digital video files to multiple formats and to multiple destinations while transporting them at super-accelerated speeds over the Internet. Our purchase included hardware and various intangible assets largely comprised of software code and two related patents that secure our rights to specific processes and underlying algorithms that differentiate it from other competitive offerings. We rebranded this offering as AllDigital Brevity.

We have invested substantial resources into further developing and enhancing the AllDigital Brevity code in order to bring it to market. By January 2015 we put a direct sales team in-place and announced the global launch of AllDigital Brevity. We will require additional working capital to complete our development of a highly scalable and multitenant variant of AllDigital Brevity, which we believe will serve as our platform for recurring revenue growth and cash flow profitability in the future.

Results of Operations

The following selected financial information should be read in conjunction with our consolidated financial statements and notes to our consolidated financial statements included elsewhere in this Report, and the other sections of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in this Report.

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 first two data columns in each table show the dollar results for each period presented.

The columns entitled “Dollar variance” and “% variance” show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when net sales increase from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative in both columns.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

	For the years ended December 31,		Dollar variance favorable (unfavorable)	% variance favorable (unfavorable)
	2014	2013		
Net sales	$3,841,767	$4,327,227	$(485,460)	(11.2)%
Cost of sales	2,713,074	2,505,925	(207,149)	(8.3)%
Gross profit	1,128,693	1,821,302	(692,609)	(38.0)%
Operating expenses:				
Selling, marketing and advertising	642,799	537,496	(105,303)	(19.6)%
General and administrative	2,362,449	1,898,493	(463,956)	(24.4)%
Total operating expenses	3,005,248	2,435,989	(569,259)	(23.4)%
Loss from continuing operations	(1,876,555)	(614,687)	(1,261,868)	(205.3)%
Other income (expense):				
Interest income	754	728	26	3.6%
Interest expense	(16,103)	(636)	(15,467)	(2,431.9)%
Other income	35,381	63,884	(28,503)	(44.6)%
Other income (expense)	20,032	63,976	(43,944)	(68.7)%
Loss before provision for income taxes	(1,856,523)	(550,711)	(1,305,812)	(237.1)%
Provision for income taxes	2,400	1,600	800	(50.0)%

Net Loss	$(1,858,923)	$(552,311)	$(1,306,612)	(236.6)%

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Net Sales. Net sales decreased by $485,460, or 11% in 2014 as compared to 2013 due to changes in our customer mix, resulting from net declines in total nonrecurring and deferred revenue recognized for the year of $262,654 and $351,305, respectively, and a net decline in recurring revenue for the year of $222,806. The net decrease in recurring revenue for the year includes our loss of $478,188 in recurring revenue attributed to one customer that receives 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. Approximately 53% of the annual recurring revenue associated with this one customer was recovered through new incremental business that has higher margins and that is core to the business. Nonrecurring revenue declined due to a significant business interruption ("business interruption") experienced during late 2013 and early 2014, in part, due to the turnover of numerous employees including project managers, developers, and certain executives, inhibiting the ability to focus on new sales opportunities. Deferred revenue declined in the absence of new development projects as we focused our development resources on completing longer-term projects that were already under contract. Our sales activity started to recover from the business interruption by late second quarter 2014.

Cost of Sales. Cost of sales increased by $207,149 or 8%, in 2014 as compared to 2013 due to the following expense increases: $196,064 in third party contracted resources (for AllDigital Integration projects), $81,017 in data center and facilities operating costs (principally related to AllDigital Cloud hosting capacity), which includes $64,558 in operating lease expense for related data center equipment, and $16,459 in other data center-related charges. The net change in Cost of Sales includes a $69,932 decrease in salary expense associated with the ongoing development of AllDigital Brevity and AllDigital Cloud, which we record as a Research and development expense.

Gross Profit. We recorded a gross profit of $1,128,693 in 2014, a decrease of $692,609, or 38%, compared to a gross profit of $1,821,302 in 2013. The decrease in gross profit resulted from a $207,149 increase in cost of sales and a $485,460 decrease in net sales.

Selling, Marketing and Advertising Expenses. Selling, marketing and advertising expenses increased $105,303 or 20% in 2014 compared to 2013. The increase resulted from increases in salary expense ($10,414), outside services ($70,660), advertising expense ($12,679), and travel-related expenses ($11,550). These expenses were in large part incurred shortly after the business interruption to return us to more normal sales levels.

General and Administrative Expenses. General and Administrative expenses increased by $463,956 or 24% in 2014 compared to 2013. The net increase was primarily attributed to the following expense increases: Salary expense ($224,742), which includes a one-time charge of $157,187 for salary and benefits continuance, and $67,555 in research and development expense related to the ongoing internal development of AllDigital Brevity and AllDigital Cloud; Legal expense ($171,543), which includes $95,034 in one-time charges related to purchasing the assets of Brevity Ventures, Inc.; and a net increase of $67,671 from the other General and administrative expense categories reflected in the table below.

The table below shows each type of General and Administrative expense total in 2014 compared to that incurred in the prior year, with the amount of increase or (decrease) and the percentage increase (decrease).

	2014	**2013**	**Difference ($)**	**Change (%)**
Salary & Expense	$1,207,911	$983,169	$224,742	22.9 %
Legal Fees	357,476	185,933	171,543	92.3 %
Rent	130,247	129,374	873	0.7 %
Accounting Fees	73,232	105,823	-32,591	-30.8 %
Consulting/Outside Services	104,599	91,431	13,168	14.4 %
Office Expenses/Supplies	61,368	68,582	-7,215	-10.5 %
Depreciation and Amortization Expense	78,178	55,370	22,808	41.2 %
Business Insurance	58,557	48,458	10,098	20.8 %
Recruiting	12,827	45,693	-32,865	-71.9 %
Travel & Entertainment	26,905	35,624	-8,719	-24.5 %
Public Reporting	61,028	24,258	36,770	151.6 %
Utilities	29,394	22,091	7,303	33.1 %
Phone	19,588	21,500	-1,912	-8.9 %
Other G&A Expenses	141,138	81,187	59,951	73.8 %
Total General & Administrative	$2,362,449	$1,898,492	$463,956	24.4 %

Other Income. Other income decreased by $43,944, or 69%, in 2014 compared to 2013. In 2014 Other income ($20,032) was comprised of a $46,765 favorable financial settlement with a former supplier, and an offset of $21,595 of prepaid cost for software that was determined to be without value. In 2013 Other income ($63,976) was comprised of a settlement with a former customer.

Liquidity and Capital Resources

In 2014, we funded our operations primarily with cash provided from the sale of Common Stock and Secured Convertible Notes. Working capital as of December 31, 2014 and December 31, 2013 was $55,968 and $918,330, respectively. We had accumulated losses of $4,832,476 and $2,973,553 at December 31, 2014 and December 31, 2013, respectively. Our available capital resources at December 31, 2014, consisted primarily of $485,761 in cash and cash equivalents. As of December 31, 2014, we had current assets of $897,891, including $485,761 in cash and cash equivalents.

In October and November 2014, we raised $750,000 through the sale of an aggregate of $750,000 in principal of our 5% Senior Secured Convertible Notes, or Notes. The Notes are convertible at a conversion price of $0.15 per share into an aggregate of up to 5,000,000 shares of our common stock. The Notes are secured by all of our assets. We used $400,000 of the proceeds from the sale of the Notes to acquire the assets of Brevity Ventures, Inc. and anticipate using the remaining proceeds for working capital purposes. In February 2015 we received $230,000 from the sale of $230,000 in principal of Notes, and in February 2015 and April 2015, we sold $135,000 and $28,461, respectively, 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. 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.

Cash decreased $815,171 from $1,300,932 at December 31, 2013 to $485,761 at December 31, 2014, due primarily to the net cash used in operating activities of $1,520,039 during 2014. A net loss of $1,858,923 was the largest component of net cash used in operating activities for the period. This loss was offset by non-cash expenses during the period, including $78,178 for depreciation and amortization, $121,480 for stock based compensation, $128,027 in common stock issued to service providers, $93,457 in accounts receivable, and $245,129 in accounts payable and accrued expenses. Net cash used in operating activities also reflected a increase of $2,323 in prepaid expenses and other current assets, and a decrease of $351,305 in deferred revenue.

Cash used in investing activities in 2014 was $442,467, which included purchased acquisitions of property and equipment ($78,052), and purchased intangibles ($364,415). Cash of $1,147,336 was provided by financing activities in 2014, comprised of $412,500 raised in May 2014 in connection with the sale of shares of our common stock to two accredited investors, ($15,164) attributable to the financing of purchased property and equipment through capital leases, and $750,000 raised in October and November 2014 in connection with the sale of 5% secured convertible notes through our Note offering.

Our future success depends, in part, upon our ability to manage our expanded business after acquiring substantially all of the assets of Brevity Ventures, Inc. in October 2014. Our acquisition may pose substantial challenges for management, including challenges related to integrating, selling, implementing, and supporting the service offering. There can be no assurances that we will realize the expected operating efficiencies, revenue enhancements or other benefits currently anticipated as a result of our acquisition.

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 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 into the third quarter of 2015. 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.

Critical Accounting Policies and Estimates

Revenue Recognition

We recognize 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. Our 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 we are unable to reasonably estimate total contract costs, we wait until contract completion to recognize the associated revenue.

Nonrecurring revenues also include "on-boarding" professional services that involve the development or integration of a customer's software application, digital service, system, or Application Programming Interface ("API") to connect with the AllDigital platform. On-boarding professional services projects are typically of a short duration and smaller revenue amounts. We recognize 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. We typically charge monthly recurring platform fees, as well as monthly recurring charges for our back-end storage, cloud processing, origin transit, and maintenance and support services. These fees are generally billed based on a minimum commitment plus actual usage basis, and the term of such customer contracts vary typically from 12 to 24 months.

Rarely, a customer contract will include revenue arrangements that consist of multiple product and service deliverables. Such contracts are accounted for in accordance with ASC 605-25, as amended by ASU 2009-13. For our 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 our control. 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 our best estimate of selling price (“BESP”). If deliverables cannot be separated into more than one unit, then we do 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 December 31, 2014 and $10,000 at December 31, 2013. We generally requires a deposit or advance services payments from its customers for certain contracts involving upfront capital investment, on-boarding, or development contracts to facilitate its working capital needs.

Earnings and Loss per Share

We compute 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 December 31, 2014, options to purchase 7,440,364 shares of our common stock and warrants to purchase 210,000 shares of our common stock were outstanding. At December 31, 2013, options to purchase 2,070,597 shares of our common stock and warrants to purchase 3,892,274 shares of our common stock were outstanding.

Fair Value of Measurements

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

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

Assets subject to this classification at December 31, 2014 and December 31, 2013 were cash and cash equivalents that are considered Level 1 assets.

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For certain of our 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 our notes payable approximates fair value based on prevailing interest rates.

Income Taxes

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

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

We 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:

Leasehold improvements	shorter of 3 years or remaining useful life
Furniture and fixtures	5 years

Computer equipment	3 years
Software	3 years
Signs	3 years

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

Impairment of Long-Lived and Intangible Assets

We account 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 us to review long-lived assets for impairment whenever events or changes in circumstances indicate that we may not recover the carrying amount of an asset. We measure recoverability by comparing the carrying amount of an asset to the expected future undiscounted net cash flows generated by the asset. If we determine that the asset may not be recoverable, then we recognize an impairment charge to the extent of the difference between the asset’s fair value and the asset’s carrying amount. We had no impairment charges during the twelve months ended December 31, 2014 or 2013.

Stock-Based Compensation

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

Recent Accounting Pronouncements

In 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 us for the 2016 annual period. Management has determined that the adoption of these changes will not have an impact on the Consolidated Financial Statements. 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 (ASU) 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, 2016. 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. We are evaluating the impact, if any, of the adoption of ASU 2014-09 to our financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

In July 2014, the FASB issued ASU 2014-11, 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 2014-11 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. We will adopt this guidance effective January 1, 2014. We do not expect the adoption of ASU 2014-11 to significantly impact our consolidated financial statements.

In July 2013, the FASB issued ASU 2014-11, 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 2014-11 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. We adopted this guidance effective January 1, 2014. We do not expect the adoption of ASU 2014-11 to significantly impact our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

Reference is made to the consolidated financial statements and accompanying notes included in this report, which begin on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. 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 SEC'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 December 31, 2014 that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

In light of the material weaknesses described below, additional analyses and other procedures were performed to ensure that our consolidated financial statements included in this Annual Report on Form 10-K were prepared in accordance with GAAP. These measures included expanded year-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 below. As a result of these measures, management concluded that our consolidated financial statements included in this Annual Report on Form 10-K 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 Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a 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.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2014 based on the framework in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the results of management's assessment and evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2014 our internal control over financial reporting were not effective and identified the following material weaknesses in our internal control over financial reporting as of December 31, 2014:

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.

Our entire board performs the functions generally performed by an audit committee, and none of the members of our board of directors qualifies 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 executive officers of AllDigital.

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

The foregoing material weaknesses contributed to a delay in the filing of our annual report with the SEC. In addition, these material weaknesses could result in misstatements of our consolidated financial statement accounts and disclosures which would result in material misstatements of future annual or interim consolidated financial statements that would not be prevented or detected on a timely basis.

As a result of these material weaknesses, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2014, based on the criteria established in the Internal Control — Integrated Framework issued by the COSO.

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

Management'sRemediation 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 the Board of Directors, with particular focus on issues of independence. The Board of Directors will consider nominating an audit committee and audit committee financial expert, which may or may not consist of independent members.

We expect that these improvements and procedures will be substantially implemented by December 31, 2015 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

There has been change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), resulting from insufficient resources, during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors and Executive Officers

The following table sets forth the name, age and position of each of our executive officers and directors as of April 17, 2015:

Name	**Age**	**Position**
Michael Linos	56	Chief Executive Officer, President and Director
Steve Smith	47	Vice President of Network Services and Director
Timothy Napoleon	40	Chief Strategist
Brad Eisenstein	44	Chief Financial Officer and Chief Operating Officer
David Williams	51	Director
Mark Walsh	54	Director

Board of Directors

The following paragraphs set forth certain biographical information about our board of directors, including their specific qualifications to serve on our board of directors in light of our business and structure.

Michael Linos was appointed as a Director and Executive Vice President of Sales on Jan 27, 2014, and was subsequently promoted to President on August 15, 2014. On August 29, 2014, we announced the sudden passing of Paul Summers, our then Chief Executive Officer, Chairman of the board of directors, and co-founder. On his passing, our board of directors appointed Mr. Linos, who at the time was our President, to assume the additional duties of Interim Chief Executive Officer. On October 23, 2014, our board of directors appointed Mr. Linos, as President and Chief Executive Officer AllDigital Holdings. Mr. Linos has worked with several technology companies helping them to drive revenue and add significant scale through strategic partnerships and acquisitions. With a broad range of experience in content delivery, enterprise hosting, IP transit and colocation, he has held senior sales and business development positions including Vice President of Business Development at Internap, Executive Vice President of Sales at VitalStream and Vice President of Sales at Verio. Mr. Linos earned his B.S. degree from the University of Daytona and his M.B.A. degree from Northwestern University-Kellogg School of Management.

Steve Smith has served as our Vice President of Network Services and a director since July 2011. Mr. Smith is a co-founder of AllDigital, Inc. and has served as the Vice President of Network Services and a Director of AllDigital, Inc. since September 2009. Mr. Smith has over 25 years of highly specialized experience in a wide variety of storage technologies, hosting applications and digital broadcasting solutions delivery technologies. From October 2006 to September 2009, Mr. Smith was the Founder and President of HCI, which provided specialized technical and security-intensive management services for a variety of Internet-based companies. Prior to HCI, Mr. Smith served as the CTO of VitalStream Holdings, Inc.'s integrated content services business unit, where he worked from 2000 through October 2006. Mr. Smith was appointed as a director in light of his experience in the industry and his knowledge of our business, markets and products.

David Williams has been a director since September 2011. Mr. Williams is presently the president and owner of Advanced Dental Designs, a specialty manufacturer of precision dental equipment, where he has worked since 2009. Prior to this, from 2006 to 2009, he was the Manager of Affiliate Operations for Google, where he oversaw a national team managing 1,600 radio stations as part of Google’s ad network. From 2005 to 2006, Mr. Williams was the Manager of Affiliate Operations at dMarc Broadcasting (which was acquired by Google in 2006). From 2001 to 2005, he was the VP of Operations at VitalStream, where he managed several teams responsible for solutions deployment, customer service and network operations. Before VitalStream, Mr. Williams had co-founded SiteStream along with Mr. Smith; SiteStream was later acquired by VitalStream. Mr. Williams received his M.B.A. in Finance from Wharton Business School and received his B.S. in Business Administration with an accounting major from the University of Southern California. Mr. Williams was appointed as a director in light of his experience in the industry.

Mark Walsh was appointed as a Director on February 12, 2014. He previously held the position of Executive Vice President of Sales and Chief Customer Officer for Hostess Brands, LLC from March 2009 to December 2014. Prior to Hostess Brands, Mr. Walsh worked in numerous international divisions of Pepsico for approximately 20-years in senior executive positions gaining significant experience in global brand building, operations, and sales management. Mr. Walsh earned his B.S. degree from Oregon State University in industrial engineering.

Executive Officers

The following paragraphs set forth certain biographical information about our executive officers (other than Michael Linos and Steve Smith, whose information is provided above):

Brad Eisenstein was appointed as our Chief Financial Officer and Chief Operating Officer on September 8, 2014. Prior to this date he served as our Chief Operating Officer, overseeing our operations and administrative services, initially as a consultant from November 5, 2013 until January 7, 2014 when he became an employee. Mr. Eisenstein returned to consulting for us on August 8, 2014 and was re-hired on September 8, 2014 to his current roles as Chief Financial Officer and Chief Operating Officer. Mr. Eisenstein previously served as Chief Financial Officer of EZE Trucking Holdings, Inc., a private equity backed multi-state specialty hauling and logistics operator with 16 terminals and over 200 employees, from January 2014 to August 2014. From September 2008 to December 2013, he was Chief Financial Officer of TwinMed LLC, a private equity backed nationwide distributor of medical supplies with 9 distribution centers and over 300 employees. From May 2006 to September 2008, he was Chief Financial Officer of Hirsch Pipe & Supply Company, Inc., a distributor of plumbing materials to trade professionals with 17 locations and over 200 employees. From October 2004 to May 2006, he was Corporate Controller of HD Supply White Cap, a nationwide distributor of building materials to professional contractors with more than 165 locations and over 3,000 employees. Prior to joining HD Supply White Cap, he held several senior management positions, including Director of Sales Operations – Enterprise Hosting of XO Communications from January 2000 to October 2004, Director of Sales Operations of Concentric Network Corporation from August 1998 to January 2000, and Site Controller of AnaServe, Inc. from May 1997 to August 1998. Mr. Eisenstein started his career as an auditor with Arthur Andersen LLP, where he worked from 1994 to 1997 and obtained his CPA. He earned his B.S. degree in Accounting from the University of Southern California Leventhal School of Accounting and his M.B.A. degree from the Paul Merage

School of Business at the University of California, Irvine.

Timothy Napoleon has served as our Chief Strategist since February 2012. Mr. Napoleon is a co-founder of our company and also served on our board of directors from our inception in August 2009 until January 2014. Prior to AllDigital, Mr. Napoleon was the Chief Strategist, Media and Entertainment, for Akamai Technologies, Inc. (NYSE: AKAM), where he worked from 2005 until August 2009. Prior to Akamai, Mr. Napoleon was the Vice President of Business Development at VitalStream Holdings, Inc., where he worked from 2000 to 2005. Mr. Napoleon is seen as a Digital Media expert with diverse background in architecting digital media products and solutions, and he has held executive level roles in marketing and business development in the online media and entertainment industries for the past decade. Mr. Napoleon earned his B.A. in Communications from the California State University at Fullerton andr his M.B.A. degree from the University of Southern California's Marshall School of Business.

Corporate Governance

Our board of directors has responsibility for our overall corporate governance and meets regularly throughout the year. Our directors are kept informed of our business through discussions with our executive officers, by reviewing materials provided to them and by participating in meetings of our board of directors and its committees. Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships among our executive officers and directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Our common stock is not registered under Section 12 of the Securities Exchange Act of 1934; as a result, our directors and executive officers are not subject to the requirements of Section 16(a) of the Exchange Act.

Code of Ethics

Our board of directors adopted a Code of Ethics and Conduct in March 2012 that applies to our principal executive officer, principal financial officer and principal accounting officer. The Codes of Ethics, as applied to our principal executive officer, principal financial officer and principal accounting officer constitutes our "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002.

Committees

We do not presently have a standing audit committee, nominating committee or compensation committee, and we do not have a charter for any such committees. Our entire board of directors performs the functions generally performed by such committees.

Audit Committee

Our entire board of directors presently performs the functions generally performed by an audit committee. Our board of directors has determined that David Williams and Mark Walsh are the only members of our board of directors who are “independent” under the NASDAQ Marketplace Rules and that satisfies the other requirements under Securities and Exchange Commission rules regarding audit committee membership. None of the members of our board of directors qualify as an “audit committee financial expert” under applicable Securities and Exchange Commission rules and regulations governing the composition of an audit committee, or satisfies the “financial sophistication” requirements of the NASDAQ Marketplace Rules.

Stockholder Communications with our Board of Directors

Security holders and other interested parties may contact any member or all members of the board of directors by mail. To communicate with the board of directors, any individual director or any group or committee of directors, correspondence should be addressed to the board of directors or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent “c/o Secretary” at 6 Hughes, Suite 200, Irvine California 92618.

All communications received as set forth in the preceding paragraph will be opened by the Secretary for the sole purpose of determining whether the contents represent a message to one or more directors. Any contents that are related to us will be forwarded to the addressees other than content that is (a) unrelated to us, (b) similar to something received from the same sender during the preceding 90 days, (c) in the nature of advertising, promotions of a product or service, or (d) patently offensive material.

Item 11. Executive Compensation

Compensation Processes and Procedures

Because of our early stage of operations and limited resources, our process for determining compensation is informal. We do not have a compensation committee or a compensation committee charter. We have not, and in the near future do not expect to, engage a compensation consultant with respect to compensation. Compensation decisions are made by the entire board of directors, including Michael Linos, our Chief Executive Officer, based upon the board of directors' subjective determination of what salaries we can afford with our limited resources and what level of equity-based compensation is necessary to attract and retain key personnel. Based upon the subjective knowledge of the industry and other public companies, we believe that our salaries currently in place or proposed for our executive officers are below market. In the future, particularly as we hire outside personnel without significant equity stakes, we expect that the cash portion of the compensation for new, and possibly existing, executives will increase.

Summary Compensation Table

The following table provides information concerning the compensation for the two individuals who served as our principal executive officer during the year ended December 31, 2014 and our two highest paid executive officers who were serving as an executive officer on December 31, 2014. These four individuals are collectively referred to in this Report as the "named executive officers."

Name and Principal Position	Year	Salary ($)	Stock Awards ($) **(4)**	Option Awards ($) **(1)**	Non-Equity Incentive Plan Compensation **($)(2)**	All Other Compensation ($) (3)	Total ($)
Paul Summers	2014	103,117	-	-	36,000	22,695	161,812
Former Chief Executive Officer (5)	2013	144,000	-	-	54,000	27,117	225,117
Michael Linos	2014	120,200	540,000	89,812	11,730	14,713	776,455

Chief Executive Officer President	2013	-	-	-	-	-	-
Timothy Napoleon	2014	144,000	-	89,812	36,000	30,487	300,299
Chief Strategist	2013	144,000	-	-	54,000	28,207	226,207
Steve Smith	2014	144,000	-	89,812	36,000	8,200	278,012
Vice President of Network Services	2013	144,000	-	-	54,000	8,085	206,085

(1) The amounts shown are the aggregate grant date fair values of grants of stock options to the named executive officers pursuant to the provisions of Accounting Standards Codification ("ASC") 718. For a discussion of valuation assumptions used in ASC 718 calculations, see "Note 7—Stockholders Equity—Stock Options" of the Notes to Financial Statements included in Part IV, Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2014. The options were issued under our 2011 Plan. Information regarding the vesting schedules of options held by our named executive officers is included in the footnotes to the "Outstanding Equity Awards at Fiscal Year-End–2014" table below.

(2) Represents bonuses earned under the executives employment agreement upon achievement of certain performance measures on a quarterly basis.

(3) Represents a reimbursement of standard health insurance costs.

(4) The amounts shown are the aggregate grant date fair values of grants of stock to the named executive officers pursuant to the provisions of Accounting Standards Codification ("ASC") 718.

(5) Mr. Summers is our former Chief Executive Officer who passed away on August 28, 2014. We owe Mr. Summers' estate $27,500 in unpaid salary and bonus earned during 2009, 2010 and 2011. This amount will be paid to his estate.

Executive Employment Agreements, Termination of Employment and Change of Control Arrangements

We have entered into employment agreements with each of Mr. Summers, Mr. Napoleon and Mr. Smith as of June 28, 2013, and with Mr. Linos on January 27, 2014, and an Amended and Restated employment agreement that replaces the January 27, 2014 employment agreement on September 8, 2014, which employment agreements have the terms described below. Except as described below, each of the employment agreements is in the same form.

The employment agreements provide for a minimum salary of $144,000 per annum for each of the executive officers. Each executive officer's base salary will be increased by our Board by an amount not less than the amount obtained by multiplying the executive's then current base salary by fifteen percent (15%) within sixty (60) days of the date that we first achieve a minimum of cash and accounts receivable of at least $3.5 million.

Pursuant to each employment agreement, each executive officer is also entitled to an annual bonus target opportunity equal to 50% of his base salary upon achievement of certain performance measures on a quarterly basis. In addition, the executive officer is entitled to standard health and other benefits. The executive officer's employment relationship is "at-will." The employment agreements include a provision relating to the protection of confidential information, a covenant by the executive officer to work and reside in Orange County, California, a non-competition covenant during the term of his employment and a 12-month non-solicitation covenant. Under the employment agreement, if the executive officer's employment is terminated by him for good reason, which includes, (a) a material change in the terms and conditions of his employment, (b) a change in the principal place of employment materially increasing his commute time, or (c) any other event that is a functional equivalent of an involuntary termination and which falls within the safe-harbor provisions related to termination for good reason set forth in the regulations implementing Section 409A of the Internal Revenue Code, he is entitled to a severance benefit equal to his base salary and health benefits for one year. "Cause" is defined in the employment agreements to include (a) the employee's conviction of, or plea of guilty, nolo contendere or the equivalent, in any criminal action involving a felony, (b) the employee's misappropriation of any of our material funds or property, (c) the employee's willful misconduct in the performance of his duties for the company, and (c) the employee's breach of certain covenants set forth in the employment agreement. If the executive officer is terminated by us without cause, he is entitled to a severance benefit equal to his base salary and health benefits for one year. None of the executive officers are entitled to any severance if his employment is terminated at any time by us with cause or by the executive officer without good reason.

Non-Equity Incentive Plans

Under their employment agreements, each of our named executive officers are entitled to an annual bonus target opportunity equal to 50% of their base salary upon achievement of certain corporate-level performance criteria. The criteria are set in advance of each calendar quarter, and an independent director of the board of directors determines following each quarter whether the criteria have been met and bonuses should be paid. Amounts earned in 2014 and 2013 are shown above under the column, "Non-Equity Incentive Plan Compensation", in the Summary Compensation

Table above.

Our board of directors determined that 2014 quarterly bonuses would be given at the broad discretion of the independent director on our board of directors, upon review of our Management Bonus Opportunity, or MBO, programs established with targets related to achievement of current ratio, cash and equivalents, and other performance measures.

The board of directors approved MBO programs for the first, second, and third quarters of 2013 for our four named executive officers. The MBO targets for the first quarter of 2013 were based upon current assets and current ratio targets to be realized at the end of the quarter. The MBO targets for the second and third quarters of 2013 were based upon cash equivalents and current ratio targets to be realized at the end of each quarter. The MBO targets were met for the first quarter of 2013, but were not met for the second and third quarters of 2013. MBO targets were not set for the fourth quarter of 2013.

Outstanding Equity Awards at Fiscal Year-End−2014

The following table sets forth information about outstanding equity awards held by our named executive officers as of December 31, 2014.

Name (1)	Option Awards Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Michael Linos	-	1,000,000	$ 0.09	09/07/2024
Timothy Napoleon	-	1,000,000	$ 0.09	09/07/2024
Steve Smith	-	1,000,000	$ 0.09	09/07/2024

(1) These options were each issued on September 8, 2014 under our 2011 plan. The options vest over 48 months, with the first vesting (25% or 250,000 shares of underlying common stock) at twelve months following the grant date. All future vesting occurs monthly at the rate of one-thirty-sixth of the total number of shares of underlying common stock.

Compensation of Directors

The following table shows information regarding the compensation earned or paid during 2014 to Non-Employee Directors who served on the Board during the year.

Name	Fees earned or paid in cash ($)(2)(3)	Stock awards ($)	Option awards ($)(1)	Non-equity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Mark Walsh	5,000	-	28,440	-	-	-	33,440
Dave Williams	5,000	-	-	-	-	-	5,000

(1) The amounts shown are the aggregate grant date fair values of grants of stock options to the non-employee directors who served on our board during the year pursuant to the provisions of Accounting Standards Codification (“ASC”) 718. For a discussion of valuation assumptions used in ASC 718 calculations, see “Note 7—Stockholders Equity—Stock Options” of the Notes to Financial Statements included in Part IV, Item 15 of our Annual Report on Form 10-K for the year ended December 31, 2014. The options were issued under our 2011 Plan.

(2) Mr. Walsh received payment upon his joining the board in 2014 in accordance with our Director’s Compensation Plan.

(3) On September 7, 2014, Mr. Williams earned $5,000 as a board fee in accordance with our Director compensation plan. This fee remained unpaid at December 31, 2014 and has since been forgiven by Mr. Williams upon the board’s April 2, 2015 unanimous decision to amend the February 12, 2015 Director Compensation Plan as discussed further below.

During 2013, none of our directors received compensation for their services on our board.

On February 12, 2014, our board of directors adopted a Director Compensation Plan (the “Director Plan”) for independent directors. The Director Plan provides for each newly appointed independent director to receive on appointment (i) an option to purchase 150,000 shares of common stock at an exercise price equal to the closing bid price on the date immediately prior to the appointment date, subject to accelerated vesting upon a change of control of AllDigital Holdings, and (ii) a cash payment of $5,000. On the twelve month anniversary from their appointment and every twelve months thereafter, the plan provides for each independent director to receive an option to purchase 75,000 shares of common stock, at an exercise price equal to the closing bid price on the date immediately prior to the appointment date, subject to accelerated vesting upon a change of control of AllDigital Holdings, and (ii) a cash payment of $5,000. During 2014 Mr. Walsh received compensation for his services, including a cash payment of $5,000 and the option to purchase 150,000 shares of our common stock.

On April 2, 2015, the our board met and unanimously approved changing the Director Plan to align with our objective to achieve positive cash flow by (i) reducing the cash payment from $5,000 to $0 for the first and all future anniversaries, and (ii) reducing all stock option grants to 50,000 shares of common stock. These changes took place immediately, and the independent board members agreed to forego any past cash payments that were earned and not paid as of April 2, 2015 under the Director Plan, which amounted to $5,000. We have not accrued for any director compensation liability as of December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information with respect to the beneficial ownership of our voting securities as of April 17, 2015, the date of the table, by:

- each person known by us to beneficially own more than 5% of the outstanding shares of our common stock;
- each of our directors;
- each of our named executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, and includes voting or investment power with respect to the securities. To our knowledge, except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Shares of common stock underlying derivative securities, if any, that currently are exercisable or convertible or are scheduled to become exercisable or convertible for or into shares of common stock within 60 days after the date of the table are deemed to be outstanding in calculating the percentage ownership of each listed person or group but are not deemed to be outstanding as to any other person or group. Except as indicated by footnote, percentage of beneficial ownership is based on 38,254,959 shares of common stock outstanding as of the date of the table.

Name and Address of Beneficial Owner[1]	Title of Class	Amount and Nature of Beneficial Ownership		Percent of Class
Paul Summers	Common Stock	6,214,028	(2)	16.24 %
Steve Smith	Common Stock	6,076,115	(3)	15.88 %
Michael Linos	Common Stock	5,150,000		13.46 %
David Williams	Common Stock	150,000	(4)	*
Mark Walsh	Common Stock	37,500	(8)	*
Timothy Napoleon	Common Stock	5,000,000		13.07 %
Donald Harris[5]	Common Stock	3,932,954		10.28 %
ACT Capital Management, LLLP and Amir L. Ecker and Carol G. Frankenfield[6]	Common Stock	2,621,969		6.85 %
All executive officers and directors as a group (6 persons)	Common Stock	22,627,643	(7)	59.14 %

*Less than 1.00%

(1) Messrs. Smith, Linos, Williams and Walsh are directors of AllDigital . Mr. Napoleon is an executive officer of All Digital. Mr. Summers was a director of AllDigital before his passing. The address of each of these persons is c/o AllDigital Holdings, Inc., 6 Hughes, Suite 200, Irvine, CA 92618.

(2) All securities are held of record in the Kristen Summers & William Lang Co. Trustees of the Decedent's Trust under the Paul & Kristen Summers Family Trust DTD 4/22/02. Due to the passing of Mr. Summers, Kirsten Summers has authority to vote and dispose of such shares. Includes 107,014 shares of common stock underlying warrants.

(3) All securities are held of record by the Stephen James Smith Trust Dated October 24, 2002. Mr. Smith has the authority to vote and dispose of such shares. Includes 106,959 shares of common stock underlying warrants.

(4) Includes 150,000 shares of common stock underlying options.

(5) The address for the security holder is 101 South Fort Lauderdale Beach Blvd., # 2703, Ft. Lauderdale, Florida 33316

(6) The address for the security holders is 2 Radnor Corporate Center, Suite 111, Radnor, Pennsylvania 19087.

(7)

Includes 213,973 shares of common stock underlying warrants and 185,000 shares of common stock underlying options.

(8) Includes 35,000 shares of common stock underlying options.

On August 29, 2014, we announced the sudden passing of Paul Summers, our then Chief Executive Officer, Chairman of the board of directors, and co-founder.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Director Independence

On an annual basis, each of our directors and executive officers is obligated to complete a Director and Officer Questionnaire that requires disclosure of any transactions with AllDigital in which a director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. Following completion of these questionnaires, our board of directors makes an annual determination as to the independence of each director using the current standards for “independence” established by the Securities and Exchange Commission and NASDAQ and consideration of any other material relationship a director may have with AllDigital. Our board of directors has two independent directors, Mr. Walsh and Mr. Williams, with all other directors not being independent as they serve as executive officers of AllDigital Holdings.

Related Party Transactions

Other than as described below or elsewhere in this report, since January 1, 2013, there has not been a transaction or series of related transactions to which we were or are a party and in which any director, executive officer, holder of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest. No such transactions are currently proposed. All of the below transactions were separately approved by our Board.

Senior Convertible Secured Note issued to Steve Smith

On February 10, 2015, we entered into a Securities Purchase Agreement with Steve Smith, Vice President of Network Services and board member, pursuant to which we issued and sold our 5% Senior Secured Convertible Note (the “Steve Smith Note”) with a principal of $230,000 to Mr. Smith for an aggregate purchase price of $230,000. The Steve Smith 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 Steve Smith Note, the Company entered into a Security Agreement with Mr. Smith and Richard P.

Stevens, II., as collateral agent.

The Steve Smith Note has a maturity date of December 31, 2016. The Steve Smith Note 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 beginning with the quarter ended December 31, 2014. After the maturity date, and until the outstanding principal and accrued interest on the Steve Smith Note has been paid, the Steve Smith Note will bear interest at a rate of 1.0% per month. The outstanding principal under the Steve Smith Note is convertible at any time prior to repayment, in whole or in part, into shares of our 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 Steve Smith Note shall be paid in cash upon any conversion of the Steve Smith Note. The Steve Smith Note is secured under the terms of the Security Agreement by a first priority lien on all of our tangible and intangible assets.

Senior Convertible Secured Note issued to Jean Bateson Summers

On October 16, 2014, we entered into a Securities Purchase Agreement with Jean Bateson Summers, mother of our late Chief Executive Officer, Paul Summers, pursuant to which we issued and sold our 5% Senior Secured Convertible Note (the “Jean Summers Note”) with a principal of $500,000 to Jean Bateson Summers for an aggregate purchase price of $500,000. The Jean Summers Note is convertible into an aggregate of up to 3,333,333 shares of our common stock. In connection with the sale of the Jean Summers Note, we entered into a Security Agreement with Jean Bateson Summers and Richard P. Stevens, II., as collateral agent.

The Jean Summers Note has a maturity date of December 31, 2016. The Jean Summers Note 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 beginning with the quarter ended December 31, 2014. After the maturity date, and until the outstanding principal and accrued interest on the Jean Summers Note has been paid, the Jean Summers Note will bear interest at a rate of 1.0% per month. The outstanding principal under the Jean Summers Note is convertible at any time prior to repayment, in whole or in part, into shares of our 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 Jean Summers Note shall be paid in cash upon any conversion of the Jean Summers Note. The Jean Summers Note is secured under the terms of the Security Agreement by a first priority lien on all of our tangible and intangible assets.

Payments to Kristen Summers

On August 29, 2014, we announced the sudden passing of Paul Summers, our then Chief Executive Officer, Chairman of the board of directors, and co-founder. Following the death of Mr. Summers, we commenced paying health benefits and salary continuance to his widow, Kristen Summers, and which we plan to continue for twelve months. As of December 31, 2014, we had accrued $128,853, which anticipates salary continuance of $12,000 per month through October 31, 2015, and benefits continuance approximating $1,050 per month thru August 31, 2015.

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Michael Linos

On January 27, 2014, we entered into an Employment Agreement (the “Employment Agreement”) with Michael Linos, in connection with his appointment as Executive Vice President Sales. Under the terms of this agreement, Mr. Linos will receive a base salary of $144,000 per annum, an opportunity to earn an annual bonus equal to 50% of his base salary upon achievement of certain performance measures on a quarterly basis. He will be eligible to receive a stock grant of 1,000,000 shares of Common Stock on each of the first and second anniversaries of the Effective Date of the Employment Agreement (January 27, 2014) provided his continued employment, with a provision to accelerate any outstanding stock grants upon sale of the company for cash consideration in excess of ten million U.S. Dollars ($10,000,000). He will also be entitled to participate in our benefit plans on terms consistent with those generally applicable to our other executives. Mr. Linos also signed our standard confidentiality, proprietary information and invention assignment agreement.

Mr. Linos’ employment relationship is “at-will.” The Employment Agreement includes a provision relating to the protection of confidential information, a covenant by the executive officer to work and reside in Orange County, California, a non-competition covenant during the term of his employment and a 12-month non-solicitation covenant. Under the terms of the Employment Agreement, if Mr. Linos’ employment is terminated by him for good reason, which includes, (i) a material change in the terms and conditions of his employment, (ii) a change in the principal place of employment materially increasing his commute time, or (iii) any other event that is a functional equivalent of an involuntary termination and which falls within the safe-harbor provisions related to termination for good reason set forth in the regulations implementing Section 409A of the Internal Revenue Code, he is entitled to a severance benefit equal to his base salary and health benefits for one year. If the executive officer is terminated by us without cause, he is entitled to a severance benefit equal to one year of his base salary and health benefits for one year. Mr. Linos will not be entitled to any severance if his employment is terminated at any time by us with cause or by Mr. Linos without good reason. Upon Mr. Linos’ termination by us for certain enumerated reasons, we will have the right to repurchase any shares of our common stock beneficially owned by Mr. Linos on the effective date of his termination at a per share purchase price of $0.15.

On January 27, 2014, we issued and sold 2,250,000 shares of common stock to Mr. Linos at a purchase price of $0.15 per share

On September 8, 2014, we entered into the Amended and Restated Employment Agreement (Employment Agreement) with Mr. Linos. Pursuant to the employment agreement, Mr. Linos will receive a base salary of $144,000, an annual bonus target opportunity equal to 50% of his base salary upon achievement of certain performance measures on a quarterly basis, and standard health and other benefits. Mr. Linos’ employment relationship is “at-will.” His employment agreement includes a provision relating to the protection of confidential information, a covenant by the executive officer to work and reside in Orange County, California, and a non-competition covenant during the term of his employment and a 12-month non-solicitation covenant. Under the employment agreement, if the executive officer’s employment is terminated by him for good reason, which includes, (a) a material change in the terms and conditions of his employment, (b) a change in the principal place of employment materially increasing his commute time, or (c) any other event that is a functional equivalent of an involuntary termination and which falls within the safe-harbor provisions related to termination for good reason set forth in the regulations implementing Section 409A of the Internal Revenue Code, he is entitled to a severance benefit equal to his base salary and health benefits for one year. “Cause” is defined in the employment agreements to include (a) the employee’s conviction of, or plea of guilty, nolo contendere or the equivalent, in any criminal action involving a felony, (b) the employee’s misappropriation of any of our material funds or property, (c) the employee’s willful misconduct in the performance of his duties for the company, and (c) the employee’s breach of certain covenants set forth in the employment agreement. If the executive officer is terminated by us without cause, he is entitled to a severance benefit equal to his base salary and health benefits for one year. None of the executive officers are entitled to any severance if his employment is terminated at any time by us with cause or by the executive officer without good reason. He will be eligible to receive a stock grant of 1,000,000 shares of Common Stock on each of the first and second anniversaries of the Effective Date of his original Employment Agreement (January 27, 2014) provided his continued employment, with a provision to accelerate any outstanding stock grants upon the company’s sale that is no longer conditioned by the company’s being sold for cash consideration in excess of ten million U.S. Dollars ($10,000,000).

Mark Walsh

As provided by the Director Plan, at the date of his appointment to the board of directors on February 12, 2014, Mark Walsh received a cash payment and was issued an option to purchase 150,000 shares of our common stock under our 2011 Stock Incentive Plan (the "Walsh Option"). The Walsh Option will vest over a period of 4 years, subject to Walsh's continued employment. Twenty-five percent (25%) of shares underlying the Walsh Option vested on February 12, 2015, and then 1/36 of the shares underlying the Walsh Option will vest each month thereafter until fully vested. Upon a change of control, any unvested portion of the Walsh Option will immediately vest in full.

Executive Officers

On December 2, 2014, our board of directors appointed Barbara Crofts as our Chief Financial Officer. Ms. Crofts did not have a written employment agreement but had been offered a salary at the rate of $144,000 per year and issued options to purchase 250,000 shares of our common stock under the 2011 Plan vesting over four years. Upon a change of control, any unvested portion of the option would immediately vest in full. Ms. Crofts resigned from her position on September 12, 2014.

On January 7, 2014, our board of directors appointed Brad Eisenstein as our Chief Operating Officer. Mr. Eisenstein did not have a written employment agreement. Mr. Eisenstein received a base salary of $184,000 and was granted an option to purchase 750,000 shares of common stock under our 2011 Stock Incentive Plan. Subject to the terms of a Stock Option Agreement, the option is exercisable over a term of 10 years at an exercise price of $0.12 per share, which is equal to the grant-date closing price of our common stock. The option vested over a period of 4 years, subject to Mr. Eisenstein's continued employment. Twenty-five percent (25%) of shares underlying the option would vest on the first anniversary of the grant date, and then 1/36 of the shares underlying the option would vest each month thereafter until fully vested. Upon a change of control, any unvested portion of the option would immediately vest in full.

Prior to his appointment, beginning November 5, 2014, Mr. Eisenstein was providing operations and administrative services to us as a consultant during which time he received an aggregate cash compensation of $33,000 and warrants to purchase 35,000 shares of our common stock at an exercise price of $0.20 per share.

On August 8, 2014, Mr. Eisenstein resigned from his position and returned to consulting for our company. On resigning Mr. Eisenstein entered into an Agreement and Mutual General Release (release agreement) with our company. As consideration for his signing the release agreement, our board granted Mr. Eisenstein an option to purchase 187,500 shares of common stock under our 2011 Stock Incentive Plan. The option vested in full upon grant and is exercisable over a term of 10 years at an exercise price of $0.10 per share, which is equal to the grant-date closing price of our common stock.

On September 8, 2014, we hired Mr. Eisenstein as the Company’s Chief Financial Officer and Chief Operating Officer under an employment agreement.

Pursuant to the employment agreement, Mr. Eisenstein will receive a base salary of $144,000, an annual bonus target opportunity equal to 50% of his base salary upon achievement of certain performance measures on a quarterly basis, and standard health and other benefits. Mr. Eisenstein’s employment relationship is “at-will.” His employment agreement includes a provision relating to the protection of confidential information, a covenant by the executive officer to work and reside in Orange County, California, and a non-competition covenant during the term of his employment and a 12-month non-solicitation covenant. Under the employment agreement, if the executive officer’s employment is terminated by him for good reason, which includes, (a) a material change in the terms and conditions of his employment, (b) a change in the principal place of employment materially increasing his commute time, or (c) any other event that is a functional equivalent of an involuntary termination and which falls within the safe-harbor provisions related to termination for good reason set forth in the regulations implementing Section 409A of the Internal Revenue Code, he is entitled to a severance benefit equal to his base salary and health benefits for one year. “Cause” is defined in the employment agreements to include (a) the employee’s conviction of, or plea of guilty, nolo contendere or the equivalent, in any criminal action involving a felony, (b) the employee’s misappropriation of any of our material funds or property, (c) the employee’s willful misconduct in the performance of his duties for the company, and (c) the employee’s breach of certain covenants set forth in the employment agreement. If the executive officer is terminated by us without cause, he is entitled to a severance benefit equal to his base salary and health benefits for one year. None of the executive officers are entitled to any severance if his employment is terminated at any time by us with cause or by the executive officer without good reason.

On September 8, 2014, Mr. Eisenstein was granted an option to purchase 1,000,000 shares of common stock under our 2011 Stock Incentive Plan. Subject to the terms of a Stock Option Agreement, the option is exercisable over a term of 10 years at an exercise price of $0.09 per share, which is equal to the grant-date closing price of our common stock. The option vests over a period of 4 years, subject to continued employment.

Item 14. Principal Accounting Fees and Services

The following table presents the aggregate fees paid by us for professional audit services rendered by Rose, Snyder & Jacobs LLP for the years ended December 31, 2014 and 2013, and professional tax services rendered by Squar, Milner, Peterson, Miranda & Williamson, LLP for the years ended December 31, 2014 and 2013.

	2014	2013
Audit Fees	$56,000	$63,850
Audit-Related Fees	-	-
Tax Fees	14,522	13,780
Total	$70,522	$77,630

Audit Fees. Audit Fees consist of amounts billed for professional services rendered for the audit of our annual consolidated financial statements included in our Annual Report on Forms 10-K, and reviews of our interim consolidated financial statements included in our Quarterly Reports on Forms 10-Q and related matters.

Audit-Related Fees. Audit-Related Fees consist of fees billed for professional services that are reasonably related to the performance of the audit or review of our consolidated financial statements but are not reported under “Audit Fees.”

Tax Fees. Tax Fees consist of fees billed for professional services for tax compliance activities, including the preparation of federal and state tax returns and related compliance matters.

Our board of directors has determined that all non-audit services provided by Rose, Snyder & Jacobs LLP were compatible with maintaining that firm’s audit independence.

The board of directors, functioning as the audit committee, has established pre-approval policies and procedures requiring that the board of directors, functioning as the audit committee, approve in advance any engagement of the independent auditors to render audit or non-audit services. As a result, all engagements during 2014 and 2013 of the independent auditors to render audit or non-audit services were approved by the board of directors, functioning as the audit committee.

PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) Documents Filed

1. *Financial Statements*. The following Consolidated Financial Statements of the company and Auditors' report are filed as part of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets for the periods ended December 31, 2014 and 2013

Consolidated Statements of Operations for the periods ended December 31, 2014 and 2013

Consolidated Statements of Cash Flows for the periods ended December 31, 2014 and 2013

Consolidated Statement of Stockholders Equity as of December 31, 2014

Notes to the Consolidated Financial Statements

2. *Financial Statements Schedule.* Not applicable.

3. *Exhibits*. The information required by this item is set forth on the exhibit index that follows.

Index to Exhibits

Exhibit Number	Description#	Where Located Form	File Number	Exhibit Number	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger dated July 29, 2011 among AllDigital, Inc., AllDigital Acquisition Corp. and the Registrant	8-K	333-141676	2.1	8/5/2011	
2.2	Asset Purchaser Agreement dated October 17, 2014 among AllDigital Holdings,Inc. and Brevity Ventures, Inc.	8-K	333-141676	2.1	10/22/2014	
3.1	Articles of Incorporation, as amended	8-K	333-141676	3.1	8/25/2011	
3.2	Amended and Restated By-laws	8-K	333-141676	3.1	7/2/2013	
4.1	Form of Common Stock Certificate	SB-2	333-141676	4.1	3/30/2007	
10.1	Form of Series 2011A Warrant	8-K	333-141676	4.1	8/5/2011	
10.2	Form of Series 2011B Warrant	10-Q	333-141676	4.3	11/14/2011	
10.3	Form of Series 2011C Warrant	10-Q	333-141676	4.4	11/14/2011	
10.4	Amended and Restated 2011 Stock Option Plan*					X
10.5	Form of Stock Option Agreement*	8-K	333-141676	4.3	8/5/2011	
10.6	Form of Employment Agreement dated June 28, 2013 between the Registrant and each of Summers, Smith and Napoleon*	8-K	333-141676	10.5	7/2/2013	
10.7	Employment Agreement, dated June 28, 2013, between the Registrant and John Walpuck*	8-K	333-141676	10.4	7/2/2013	
10.8	Master Lease Agreement between the Registrant and Technology Finance Corporation	8-K/A	333-141676	10.3	8/29/2011	
10.9	Lease Schedule to Master Lease Agreement with Technology Finance Corporation dated March 29, 2011	8-K/A	333-141676	10.3.1	8/29/2011	
10.10	Lease Schedule to Master Lease Agreement with Technology Finance Corporation dated April 8, 2011	8-K/A	333-141676	10.3.2	8/29/2011	

10.11	Standard Industrial/Commercial Multi-Tenant Lease — Net American Industrial Real Estate Association dated August 25, 2009 between the Registrant Olen Commercial Realty Corp.	8-K/A	333-141676	10.4	8/29/2011
10.12	Executive Search Agreement between the Registrant and John C. Wallin dated May 19, 2011	8-K/A	333-141676	10.5	8/29/2011

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Exhibit Number	Description#	Where Located Form	File Number	Exhibit Number	Filing Date	Filed Herewith
10.13	Agreement and Plan of Merger and Reorganization, dated as of January 6, 2012, between the Registrant and Broadcast International, Inc. and Alta Acquisition Corporation	8-K	333-141676	2.1	1/7/2013	
10.14	Form of Voting Agreement, dated January 6, 2013, between the Registrant and certain stockholders of Broadcast International, Inc.	8-K	333-141676	10.1	1/7/2013	
10.15	Professional Services Agreement dated January 6, 2013 with Broadcast International, Inc.	8-K	333-141676	10.3	1/7/2013	
10.16	First Amendment to Agreement and Plan of Merger, dated as of April 9, 2013, between the Registrant and Broadcast International, Inc. and Alta Acquisition Corporation	10-Q	333-141676	10.1	8/13/2013	
10.17	Second Amendment to Agreement and Plan of Merger, dated as of June 30, 2013, between the Registrant and Broadcast International, Inc. and Alta Acquisition Corporation	8-K	333-141676	10.1	7/2/2013	
10.18	Third Amendment to Agreement and Plan of Merger, dated as of August 26, 2013, between the Registrant and Broadcast International, Inc. and Alta Acquisition Corporation	8-K	333-141676	10.1	8/28/2013	
10.19	Employment Agreement, dated June 28, 2013, between the Registrant and Konstantin Wilms*	8-K	333-141676	10.2	7/2/2013	
10.20	Escrow and Contribution Agreement, dated June 28, 2013 among the Registrant, the Stephen James Smith Trust dated 10/24/02, Tim Napoleon and Parr Brown Gee & Loveless, PC	8-K	333-141676	10.3	7/2/2013	
10.21	Director Compensation Plan*	10-K	333-141676	10.21	3/31/2014	
10.22	Employment Agreement between the Registrant and Brad Eisenstein*					X
10.23	Offer Letter between the Registrant and Barbara Crofts	10-K	333-141676	10.23	3/31/2014	

10.24	Amended and Restated Employment Agreement between the Registrant and Michael Linos*					X
10.25	Form of Convertible Promissory Notes issued in August and September 2013	8-K	333-141676	10.2	8/28/2013	
10.26	Form of 5% Senior Secured Convertible Notes issued in October 2014, November 2014, and February 2015					X
10.27	Form of Security Agreement regarding the 5% Senior Secured Convertible Notes					X
14	Code of Ethics and Conduct	10-K	333-141676	14	3/31/2014	
21	Subsidiaries of the Registrant	10-K	333-141676	21	3/31/2014	
23.1	Consent of Independent Registered Public Accounting Firm					X
31.1	Section 302 Certification of Chief Executive Officer					X
31.2	Section 302 Certification of Chief Financial Officer					X
32.1	Section 906 Certification of Chief Executive Officer					X
32.2	Section 906 Certification of Chief Financial Officer					X
101.INS	XBRL Instance Document**					
101.SCH	XBRL Taxonomy Extension Schema**					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase**					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase **					X
101.LAB	XBRL Taxonomy Extension Label Linkbase**					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase**					X

* A contract, compensatory plan or arrangement to which a director or executive officer is a party or in which one or more directors or executive officers are eligible to participate.

** 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.

Certain of the agreements filed as exhibits contain representations and warranties made by the parties thereto. The assertions embodied in such representations and warranties are not necessarily assertions of fact, but a mechanism for the parties to allocate risk. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts or for any other purpose at the time they were made or otherwise.

ALLDIGITAL HOLDINGS, INC. AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

AllDigital Holdings, Inc.

We have audited the accompanying balance sheets of AllDigital Holdings, Inc. (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, stockholders’ equity (deficit), and cash flows for the years then ended. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AllDigital Holdings, Inc. as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has incurred significant operating losses and negative cash flows from operations during the years ended December 31, 2014 and 2013. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

Rose, Snyder & Jacobs LLP

Encino, California

April 20, 2015

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ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$485,761	$1,300,932
Accounts receivable, net of allowance of $0 and $10,000	361,276	454,733
Prepaid expenses and other current assets	50,944	82,324
Total current assets	897,981	1,837,989
Property and equipment, net	176,194	86,648
Purchased intangible assets, net	386,415	22,000
Other assets	18,626	11,164
Total assets	$1,479,216	$1,957,801
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$809,018	$563,889
Deferred revenue	4,465	355,770
Other current liabilities	28,530	
Total current liabilities	842,013	919,659
Long-term liabilities:		
Long-term debt	750,000	-
Other liabilities	45,978	-
Total long-term liabilities	795,978	-
Commitments and Contingencies (Note 6)		
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, 37,170,959 and 33,231,977 issued and outstanding, respectively	37,171	33,233
Additional paid-in capital	4,636,530	3,978,462
Accumulated deficit	(4,832,476)	(2,973,553)
Total stockholders' (deficit) equity	(158,775)	1,038,142
Total liabilities and stockholders' (deficit) equity	$1,479,216	$1,957,801

See accompanying notes to these consolidated financial statements.

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ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2014	**2013**
Net sales	$3,841,767	$4,327,227
Cost of sales	2,713,074	2,505,925
Gross profit	1,128,693	1,821,302
Operating expenses		
Selling, marketing, and advertising	642,799	537,496
General and administrative	2,362,449	1,898,493
Total operating expenses	3,005,248	2,435,989
Operating loss	(1,876,555)	(614,687)
Other income (expense)		
Interest income	754	728
Interest expense	(16,103)	(636)
Other income	35,381	63,884
Total other income (expense)	20,032	63,976
Loss before provision for income taxes	(1,856,523)	(550,711)
Provision for income taxes	2,400	1,600
Net loss	$(1,858,923)	$(552,311)
Basic and diluted net loss per share	$(0.05)	$(0.02)
Basic and diluted weighted-average shares outstanding	36,329,854	26,642,459

See accompanying notes to these consolidated financial statements.

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ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	**2013**
Cash Flows From Operating Activities		
Net loss	$(1,858,923)	$(552,311)
Adjustments to reconcile net profit (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	78,178	55,370
Stock based compensation	121,480	223,122
Stock issued for services	128,027	-
Loss on write off of prepaid asset	21,595	-
Provision for doubtful accounts	-	10,000
Changes in operating assets and liabilities:		
Accounts receivable	93,457	(342,669)
Deferred costs		
Prepaid expenses and other current assets	2,323	(28,962)
Deferred revenue	(351,305)	7,997
Accounts payable and accrued expenses	245,158	43,581
Net cash provided by (used in) operating activities	(1,520,010)	(583,872)
Cash Flows From Investing Activities		
Purchase of property and equipment	(78,082)	(61,707)
Purchase of intangible assets	(364,415)	(2,250)
Net cash used in investing activities	(442,497)	(63,957)
Cash Flows From Financing Activities		
Capital lease financing, net of payments	(15,164)	-
Proceeds from issuance of notes payable – bridge	-	1,485,000
Proceeds from issuance of secured notes payable	750,000	
Issuance of common stock	412,500	-
Proceeds from exercise of stock options	-	1,000
Net cash provided by financing activities	1,147,336	1,486,000
Net Increase (Decrease) in Cash and Cash Equivalents	(815,171)	838,171
Cash and Cash Equivalents – beginning of year	1,300,932	462,761
Cash and Cash Equivalents – end of year	$485,761	$1,300,932
Supplemental disclosures of cash flow information:		
Interest paid	$16,103	$636
Income taxes paid	$2,400	$1,600

See accompanying notes to these consolidated financial statements.

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SUPPLEMENTAL INFORMATION OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During the twelve months ended December 31, 2014, the Company entered into the following noncash transactions:

Issued 1,188,982 shares of common stock for services value at $128,027.

During the twelve months ended December 31, 2013, the Company entered into the following noncash transactions:

Issued 7,787,249 shares of common stock due to the conversion of $1,485,000 of Convertible Promissory Notes.

See accompanying notes to these consolidated financial statements.

ALLDIGITAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY

	Preferred Stock		Common Stock		Additional	Accumulated	
	Shares	**Amount**	**Shares**	**Amount**	**Paid-in Capital**	**Deficit**	**Total**
BALANCE – December 31, 2012	-	$ -	25,440,728	$ 25,441	$ 2,277,132	$ (2,421,242)	$ (118,669)
Issuance of common stock for exercise of options	-	-	4,000	4	996	-	1,000
Conversion of Convertible Notes Payable to common stock	-	-	7,787,249	7,788	1,477,212	-	1,485,000
Stock based compensation	-	-	-	-	223,122	-	223,122
Net loss	-	-	-	-	-	(552,311)	(552,311)
BALANCE – December 31, 2013	-	$ -	33,231,977	$ 33,233	$ 3,978,462	$ (2,973,553)	$ 1,038,142
Issuance of common stock for cash received	-	-	2,750,000	2,750	409,750	-	412,500
Issuance of common stock for past services	-	-	1,188,982	1,188	126,838	-	128,026
Stock based compensation	-	-	-	-	121,480	-	121,480
Net loss	-	-	-	-	-	(1,858,923)	(1,858,923)
BALANCE – December 31, 2014	-	$ -	37,170,959	$ 37,171	$ 4,636,530	$ (4,832,476)	$ (158,775)

See accompanying notes to these consolidated financial statements.

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ALLDIGITAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND BUSINESS

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

AllDigital Brevity, AllDigital Cloud, and AllDigital Integration services are the cornerstones of our offering, enabling us to build highly scalable and efficient digital broadcasting solutions to meet unique customer requirements, serve as technology and services required to develop, operate and support a variety of complex digital service and digital broadcasting workflow implementations across a diverse market of devices. We accomplish this by enabling, and maximizing the performance of, the cloud-based storage, processing, and transit of digital media and digital services to multiple devices simultaneously. Our business model targets a variety of entities and existing providers of digital services that need to develop, operate and support a cost—effective, high quality and secure digital service, through a digital broadcasting workflow, across a large and diverse market of devices.

Our ability to successfully generate future revenues is dependent on a number of factors, including: (i) the availability of capital to continue to develop, operate and maintain our proprietary AllDigital Brevity and AllDigital Cloud platform and services, (ii) the ability to commercialize our portfolio of digital broadcasting solutions to media and entertainment companies, enterprises, government agencies, and nonprofits, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. The use of estimates may also affect the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include, among others, estimates of costs used in the calculation of percentage of completion contracts, realization of capitalized assets, valuation of equity instruments and other instruments indexed to the Company's common stock, and deferred income tax valuation allowances. Actual results could differ from those estimates. Following 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 $4.8 million as of December 31, 2014. 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 into the third quarter of 2015.

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, as well as monthly recurring charges for our back-end storage, cloud processing, origin transit, and maintenance and support services. These fees are generally billed based on a minimum commitment plus actual usage basis, and the term of such customer contracts vary typically from 12 to 24 months.

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

Accounts Receivable

Accounts receivable are recorded at their face amount less an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of probable losses in the accounts receivable balance. Management determines the allowance based on known troubled accounts, historical experience, and other currently available evidence. The allowance for doubtful accounts was $0 at December 31, 2014, and $10,000 at December 31, 2013. 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 December 31, 2014, the Company had 210,000 warrants and 7,440,364 options that could potentially increase the number of shares outstanding. At December 31, 2014, the Company had sold $750,000 of its Secured Convertible Notes that if converted at the note conversion price of $.15 per share, this could potentially increase the number of shares outstanding by 5,000,000 shares. At December 31, 2013, the Company had 3,892,274 warrants and 3,065,917 options that could potentially increase the number of shares outstanding. These instruments were excluded from the computation of the diluted loss per share as their impact is anti-dilutive.

Fair Value of Measurements

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

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 December 31, 2014, and December 31, 2013, were cash and cash equivalents and are considered Level 1 assets.

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

Income Taxes

We account for income taxes in accordance with ASC 740-10, *Income Taxes*. We recognize deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. We record a valuation allowance related to a deferred tax asset when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates 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 twelve months ended December 31, 2014 and 2013.

Stock-Based Compensation

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

Recent Accounting Pronouncements

In 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. Management has determined that the adoption of these changes will not have an impact on the Consolidated Financial Statements. 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 (ASU) 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, 2016. 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. We are evaluating the impact, if any, of the adoption of ASU 2014-09 to our 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 ("ASU") 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 December 31, 2014, and December 31, 2013, consisted of the following:

	December 31, 2014	December 31, 2013
Furniture and fixtures	$16,328	$13,568
Leasehold improvements	3,772	-
Fixed assets under capital lease	89,672	-
Computer equipment	213,154	139,584
Software	45,833	45,833
Signs	2,050	2,050
Purchased intangible assets	384,365	-
Less accumulated depreciation and amortization	(192,565)	(114,387)
	$562,609	$86,648

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2014, and December 31, 2013, consisted of the following:

	December 31, 2014	December 31, 2013
Accounts payable	$413,700	$316,096
Accrued personnel costs	308,135	188,866

Accrued professional fees	76,825	6,800
Other	10,358	52,127
	$809,018	$563,889

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NOTE 5 – NOTES PAYABLE

5% Senior Secured Convertible Notes

In October and November 2014, the Company raised $750,000 through the sale of an aggregate of $750,000 in principal of its 5% Senior Secured Convertible Notes, (“Secured Notes”). The Secured Notes pay quarterly interest and are convertible at a conversion price of $0.15 per share into an aggregate of up to 5,000,000 shares of common stock, and they are secured by all of the Company’s assets. Principle is due December 31, 2016 on all outstanding notes.

Convertible Promissory Notes

The Company offered and sold an aggregate of $1,485,000 in Convertible Promissory Notes (the “Notes”) in August and September, 2013. The Notes provided that, if the Merger Agreement (discussed further in Note 9 below) was terminated prior to closing, the Notes would automatically convert into shares of common stock of the Company. Upon the November 4, 2013 occurrence of termination of the Merger Agreement, the Notes were converted into 7,787,249 shares of common stock of the Company.

The Company evaluated the embedded conversion feature of the Notes pursuant to ASC 470, “Debt”, ASC 480, “Distinguishing Liabilities from Equity”, and ASC 815, “Derivatives and Hedging”. In performing this evaluation, the Company determined that the embedded conversion feature did not meet the criteria of a derivative liability pursuant to ASC 815, as such the conversion feature was not bifurcated. In addition, the conversion feature was not assessed to be beneficial, as such there was no note discount recorded on the accompanying financial statements.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

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 for the remaining lease term is $10,717 per month. Rent expense for the twelve months ended December 31, 2014 and 2013 was $130,247 and $129,374, respectively.

The Company has entered into various non-cancelable operating leases for computer servers and phone equipment. At December 31, 2014, future minimum rental commitments under these operating leases are:

Year ended December 31,	
2015	$112,427
2016	131,353
2017	81,410
Total	$325,190

Legal Matters

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.

NOTE 7 – STOCKHOLDERS' EQUITY

Preferred Stock

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

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

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

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

Common Stock

The exercise of stock options resulted in issuance of 4,000 shares of common stock in January 2013.

As referred to in Note 5 above, 7,787,249 shares of common stock of the Company were issued upon conversion of convertible promissory notes (the “Notes” as earlier defined).

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.

During the twelve months ended December 31, 2014, the Company issued options to purchase 9,398,000 shares of common stock under the Plan to certain employees, no shares of common stock were issued upon exercise of options, and options to purchase 8,607,136 shares of common stock were forfeited by employees who resigned from the Company. At December 31, 2014, there were options to purchase 7,440,364 shares of common stock outstanding under the Plan.

As of December 31, 2014, there were 1,059,636 shares of common stock available for grant under the Plan.

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

	Shares	Weighted-average exercise price	Average remaining contractual term- years	Aggregate Intrinsic value
Outstanding, December 31, 2012	4,610,000	$ 0.26	8.71	-
Granted	2,475,500	$ 0.15	9.32	-
Exercised	(4,000)	$ 0.25	9.63	
Forfeited	(431,000)	0.32		
Outstanding, December 31, 2013	6,649,500	$ 0.22	8.39	-
Granted	9,398,000	$ 0.12	9.57	-
Exercised	0	$ 0.00		
Forfeited	(8,607,136)	$ 0.19		
Outstanding, December 31, 2014	7,440,364	$ 0.13	9.33	-
Exercisable: December 31, 2014	911,556	$ 0.21	7.84	-
Expected to vest: December 31, 2014	5,607,083	$ 0.12	9.54	-

As of December 31, 2014, there was $584,263 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over the remaining weighted-average vesting period of 3.54 years. The total fair value of options vested during the twelve months ended December 31, 2014 was $146,481. The aggregate intrinsic value of the options expected to vest in the future was $0.

Stock-based compensation expense for the years ended December 31, 2014 and 2013 was $121,480 and $223,122, respectively.

The fair value of the options granted by AllDigital Holdings, Inc., for the years ended December 31, 2014 and 2013 is estimated at $1,147,049 and $365,420, 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 our stock price on the date of grant, as well as assumptions regarding a number of highly complex and subjective variables. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The assumptions used to value stock options are as follows:

Year Ended December 31,	2014	2013
Dividend yield	—	—
Risk-free interest rate	1.60% to 1.65 %	1.66% to 3.04 %
Volatility	193 %	196 %
Expected life (in years)	7	6.5
Weighted average grant date fair value per share of options granted	$0.12	$0.15

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

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

Volatility is estimated based on comparable companies in the industry.

Warrants

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

	Shares	Weighted-average exercise price
Outstanding – December 31, 2012	3,892,274	$ 0.49
Granted	-	-
Forfeited	-	-
Exercised	-	-
Outstanding – December 31, 2013	3,892,274	$ 0.49

Forfeited	(3,682,274)		0.50
Exercised	-		-
Outstanding – December 31, 2014	210,000	$	0.26
Exercisable – December 31, 2014	210,000	$	0.26

The following table summarizes information about warrants outstanding at December 31, 2014:

Outstanding					Exercisable		
Range of exercise prices	Number of warrants outstanding	Weighted-average remaining contractual life (in years)	Weighted-average exercise price		Number of warrants exercisable	Weighted-average exercise price	
$0.25	150,000	1.66	$	0.25	150,000	$	0.25
$0.275	60,000	1.58	$	0.275	60,000	$	0.275
$0.25 - $0.275	210,000	1.64	$	0.26	210,000	$	0.26

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NOTE 8 – INCOME TAXES

The components of the income tax provision for the years ended December 31, 2014 and 2013 were as follows:

	December 31, 2014	2013
Current	$2,400	$1,600
Deferred	-	-
Total	$2,400	$1,600

Income tax expense (benefit) for the years ended December 31, 2014 and 2013 differed from the amounts computed applying the federal statutory rate of 34% to pre-tax income as a result of:

	December 31, 2014	2013
Computed "expected" tax provision (benefit)	$(583,957)	$(187,200)
Income taxes resulting from expenses not deductible for tax purposes	3,953	5,600
Stock compensation	43,012	75,900
Change in the valuation allowance for deferred tax assets net of return to provision adjustment	537,808	106,300
State and local income taxes, net of tax benefit	1,584	1,000
Total	$2,400	$1,600

Significant components of the Company's deferred tax assets and liabilities for federal income taxes at December 31, 2014 and 2013 consisted of the following:

	December 31, 2014	2013
Current deferred tax assets		
Accrued expenses	$137,724	$44,400
Deferred compensation	10,953	11,000
Other	(3,117)	3,200
Valuation allowance	(145,560)	(58,600)
Net current deferred tax assets	$-	$-
Long-term deferred tax assets		
Net operating loss carryforward	$1,188,268	$644,700

Depreciation and amortization	13,407	13,700
Other	451	-
Valuation allowance	(1,202,126)	658,400
Net deferred tax assets	$-	$-

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 December 31, 2014 and December 31, 2013, the valuation allowance for deferred tax assets totaled approximately $1.3 million and $0.7 million, respectively. For the year ended December 31, 2014, the increase in the valuation allowance was $0.6 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 December 31, 2014, the Company had net operating loss carryforwards for federal and state income tax purposes of approximately $3.0 million, respectively, which begin to expire in 2027. 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 December 31, 2014 and December 31, 2013, the Company had no accrual for the payment of interest or penalties. For Federal purposes, the years subject to examination are 2011-2014. For California purposes, the years subject to examination are 2010-2014.

NOTE 9 – SIGNIFICANT AGREEMENTS AND CONCENTRATIONS

Terminated Merger Agreement

On January 6, 2013, the Company entered into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement") with Broadcast International, Inc., a Utah corporation ("Broadcast") and Alta Acquisition Corporation, a Nevada corporation and wholly-owned subsidiary of Broadcast International ("Merger Sub").

On November 4, 2013, the Merger Agreement was terminated. Broadcast sent notice of termination without cause following the occurrence of the October 31, 2014 "end date" without closing having occurred. The Company rejected the purported termination under this provision. The Company then sent a notice terminating the Merger Agreement for cause due to Broadcast's breach of the non-solicitation covenants in the Merger Agreement, which the Company believes triggers a termination fee of $100,000 and 4% of the equity of Broadcast on a non-diluted basis, and due to various other misrepresentations and breaches. The Company has reserved the right to pursue damages for breach, in addition to any applicable termination fee, from Broadcast.

As referred to in Note 5 above, during August and September, 2013, the Company sold an aggregate of $1,485,000 in convertible promissory notes to individual and institutional investors. The Notes provided that upon the earlier to occur of (a) November 30, 2014, if the Merger has not closed, or (b) the termination of the Merger Agreement, amounts owed under the Notes automatically converted into shares of common stock of the Company at a conversion price equal to the quotient of $6,750,000, divided by number of shares of common stock of the Company issued and outstanding.

As a result of a termination of the Merger Agreement prior to closing, on November 4, 2013, 7,787,249 shares of common stock were issued, and the Notes aggregating $1,485,000 were canceled.

Major Customers

At December 31, 2014 and December 31, 2013, two and two customers accounted for 68% and 71% of the outstanding accounts receivable, respectively.

For the twelve months ended December 31, 2014 and 2013, four and four customers accounted for 62% and 82% of total revenue, respectively.

Major Vendors

At December 31, 2014 and December 31, 2013, three and three vendors accounted for 68% and 62% of the outstanding accounts payable, respectively.

For the twelve months ended December 31, 2014 and 2013, three and four vendors accounted for 24% and 17% of total purchases, respectively.

Concentrations of Credit Risk

Financial instruments that may subject the Company to credit risk include uninsured cash-in-bank balances. The Company places its cash with high quality financial institutions located in Southern California. From time to time, such balances exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances. As of December 31, 2014, the Company’s uninsured cash was $239,199.

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 twelve months ended December 31, 2014, were in the United States and Canada.

NOTE 11 – SUBSEQUENT EVENTS

Senior Convertible Secured Notes issued to vendors

On February 2015 and April 2015, we sold $135,000 and $28,461, respectively, 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. Pursuant to this transaction the company issued and sold its 5% Senior Secured Convertible Note (the “Note”) with a principal of $163,461 to its vendors for an aggregate purchase price of $230,000. The underlying Notes are convertible into an aggregate of up to 1,089,740 shares of our common stock. In connection with the sale of the Note, the company entered into a Security Agreement with Mr. Smith and Richard P. Stevens, II., as collateral agent.

The Note has a maturity date of December 31, 2016. The Note 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 beginning with the quarter ended December 31, 2014. After the maturity date, and until the outstanding principal and accrued interest on the Note has been paid, the Note will bear interest at a rate of 1.0% per month. The outstanding principal under the Note is convertible at any time prior to repayment, in whole or in part, into shares of our 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 Note shall be paid in cash upon any conversion of the Note. The Note is secured under the terms of the Security Agreement by a first priority lien on all of our company’s tangible and intangible assets.

Senior Convertible Secured Note issued to Steve Smith

On February 10, 2015, we entered into a Securities Purchase Agreement with Steve Smith, Vice President of Network Services and board member, pursuant to which the company issued and sold its 5% Senior Secured Convertible Note (the “Note”) with a principal of $230,000 to Mr. Smith for an aggregate purchase price of $230,000. The Note is convertible into an aggregate of up to 1,533,333 shares of our common stock. In connection with the sale of the Note, the company entered into a Security Agreement with Mr. Smith and Richard P. Stevens, II., as collateral agent.

The Note has a maturity date of December 31, 2016. The Note 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 beginning with the quarter ended December 31, 2014. After the maturity date, and until the outstanding principal and accrued interest on the Note has been paid, the Note will bear interest at a rate of 1.0% per month. The outstanding principal under the Note is convertible at any time prior to repayment, in whole or in part, into shares of our 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 Note shall be paid in cash upon any conversion of the Note. The Note is secured under the terms of the Security Agreement by a first priority lien on all of our company’s tangible and intangible assets.

Option grant to Mr. Eisenstein

On January 29, 2015, our board granted Mr. Eisenstein an option to purchase 277,500 shares of common stock under our 2011 Stock Incentive Plan. Subject to the terms of a Stock Option Agreement, the option is exercisable over a term of 10 years at an exercise price of $0.09 per share, which is equal to the grant-date closing price of our common stock. The option vested over a period of 4 years, subject to Mr. Eisenstein's continued employment. Twenty-five percent (25%) of shares underlying the option would vest on the first anniversary of the grant date, and then 1/36 of the shares underlying the option would vest each month thereafter until fully vested.

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.
April 20, 2015	By: */s/ Michael Linos*
Date	Michael Linos
	Chief Executive Officer, President and Director
April 20, 2015	By: */s/ Brad Eisenstein*
Date	Bradley A. Eisenstein
	Chief Financial Officer
	Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael Linos Michael Linos	Chief Executive Officer, President and Director (Principal Executive Officer)	April 20, 2015
/s/ Brad Eisenstein Brad Eisenstein	Chief Financial Officer and Chief Operating Officer (Principal Financial and Accounting Officer)	April 20, 2015
/s/ Stephen Smith Stephen Smith	Vice President and Director	April 20, 2015
/s/ Mark Walsh Mark Walsh	Director	April 20, 2015
/s/ David Williams David Williams	Director	April 20, 2015

EXHIBITS FILED WITH THIS REPORT

Exhibit Number	Description
10.4	Amended and Restated 2011 stock plan
10.22	Employment Agreement between Registrant and Brad Eisenstein
10.24	Amended and Restated Employment Agreement between Registrant and Michael Linor.
10.26	Form of 5% Senior Secured Convertible Notes issued in October 2014, November 2014, and February 2015.
10.27	Form of Security Agreement regarding the 5% Senior Secured Convertible Notes
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer
32.2	Section 906 Certification of Chief Financial Officer
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.