

**ALLIANCE DISTRIBUTORS HOLDING INC.**  
**INCOME STATEMENTS**  
**THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008**  
(In thousands, except per share amounts)  
(Unaudited)

|   | <u>Three Months</u> |               | <u>Six Months</u> |                |
|---|---------------------|---------------|-------------------|----------------|
|   | <u>2009</u>         | <u>2008</u>   | <u>2009</u>       | <u>2008</u>    |
| <b>NET SALES</b>                                    | \$12,702            | \$20,544      | \$ 29,120         | \$ 43,361      |
| <b>COST OF GOODS SOLD</b>                           | <u>10,854</u>       | <u>18,447</u> | <u>25,002</u>     | <u>39,441</u>  |
| <b>GROSS PROFIT</b>                                 | 1,848               | 2,097         | 4,118             | 3,920          |
| <b>OPERATING COSTS AND EXPENSES</b>                 | <u>1,619</u>        | <u>1,691</u>  | <u>3,501</u>      | <u>3,294</u>   |
| <b>INCOME FROM OPERATIONS</b>                       | 229                 | 406           | 617               | 626            |
| Interest expense                                    | <u>124</u>          | <u>133</u>    | <u>250</u>        | <u>321</u>     |
| <b>INCOME BEFORE PROVISION FOR<br/>INCOME TAXES</b> | 105                 | 273           | 367               | 305            |
| Provision for income taxes                          | <u>47</u>           | <u>20</u>     | <u>153</u>        | <u>20</u>      |
| <b>NET INCOME</b>                                   | <u>\$ 58</u>        | <u>\$ 253</u> | <u>\$ 214</u>     | <u>\$ 285</u>  |
| <b>Net income per share – basic and diluted</b>     | <u>\$ -</u>         | <u>\$ -</u>   | <u>\$ -</u>       | <u>\$ 0.01</u> |
| <b>Weighted average common shares outstanding –</b> |                     |               |                   |                |
| <b>Basic</b>  | <u>52,883</u>       | <u>53,883</u> | <u>52,883</u>     | <u>53,648</u>  |
| <b>Diluted</b>                                      | <u>52,938</u>       | <u>54,525</u> | <u>53,026</u>     | <u>54,216</u>  |

**ALLIANCE DISTRIBUTORS HOLDING INC.**  
**CONDENSED BALANCE SHEETS**  
(in thousands)

|  | <b>June 30,<br/><u>2009</u></b><br>Unaudited | <b>December 31,<br/><u>2008</u></b><br>Derived from<br>audited financial<br>statements |
|--|--|--|
| <b>ASSETS</b>                                  |  |  |
| <b>CURRENT ASSETS:</b>                         |  |  |
| Cash and equivalents                           | \$ 830                                       | \$ 924   |
| Accounts receivable-net                        | 4,656  | 5,334  |
| Inventory                                      | 5,792  | 7,262  |
| Due from vendors                               | -  | 342  |
| Prepaid expenses and other current assets      | 188  | 215  |
| Deferred income taxes                          | <u>433</u>                                   | <u>263</u>   |
| <b>Total current assets</b>                    | 11,899                                       | 14,340   |
| <b>PROPERTY AND EQUIPMENT – NET</b>            | 402  | 501  |
| <b>DEFERRED INCOME TAXES</b>                   | 200  | 178  |
| <b>OTHER ASSETS</b>                            | <u>82</u>                                    | <u>88</u>  |
| <b>TOTAL</b>                                   | <u>\$12,583</u>                              | <u>\$15,107</u>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>    |  |  |
| <b>CURRENT LIABILITIES:</b>                    |  |  |
| Notes payable – bank                           | \$ 4,808                                     | \$ 6,806   |
| Accounts payable                               | 3,755  | 4,630  |
| Accrued expenses and other current liabilities | <u>528</u>                                   | <u>425</u>   |
| <b>Total current liabilities</b>               | 9,091  | 11,861   |
| <b>DEFERRED LEASE OBLIGATIONS</b>              | 46   | 50   |
| <b>STOCKHOLDERS' EQUITY</b>                    | <u>3,446</u>                                 | <u>3,196</u>   |
| <b>TOTAL</b>                                   | <u>\$12,583</u>                              | <u>\$15,107</u>  |
| <b>COMMON SHARES OUTSTANDING</b>               | <u>52,883</u>                                | <u>52,883</u>  |

**ALLIANCE DISTRIBUTORS HOLDING INC.  
CONDENSED STATEMENTS OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(In thousands, Unaudited)**

|   | <u>2009</u>    | <u>2008</u>    |
|---|----------------|----------------|
| <b>OPERATING ACTIVITIES:</b>  |                |                |
| Net income  | \$ 214         | \$ 285         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                |                |
| Depreciation and amortization   | 109            | 107            |
| Provision for doubtful accounts   | 100            | 20             |
| Stock option compensation expense   | 36             | 44             |
| Deferred income taxes   | (192)          | -              |
| Other   | 20             | 37             |
| Changes in operating assets and liabilities-net                                   | <u>1,665</u>   | <u>876</u>     |
| Net cash provided by operating activities   | <u>1,952</u>   | <u>1,369</u>   |
| <b>INVESTING ACTIVITIES:</b>  |                |                |
| Purchase of property and equipment  | <u>(10)</u>    | <u>(47)</u>    |
| Net cash used in investing activities   | <u>(10)</u>    | <u>(47)</u>    |
| <b>FINANCING ACTIVITIES:</b>  |                |                |
| Repayments of note payable, net of proceeds – bank                                | (1,998)        | (1,237)        |
| Payment of deferred financing costs   | (38)           | (45)           |
| Payment of long-term obligations  | <u>-</u>       | <u>(2)</u>     |
| Net cash used in financing activities   | <u>(2,036)</u> | <u>(1,284)</u> |
| <b>(DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>                                | <u>(94)</u>    | <u>38</u>      |
| <b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>                                  | <u>924</u>     | <u>320</u>     |
| <b>CASH AND EQUIVALENTS, END OF PERIOD</b>  | <u>\$ 830</u>  | <u>\$ 358</u>  |

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