

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY
INCOME STATEMENTS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(Unaudited; in thousands)

	<u>2010</u>	<u>2009</u>
NET SALES	\$20,152	\$16,418
COST OF GOODS SOLD	<u>17,631</u>	<u>14,148</u>
GROSS PROFIT	2,521	2,270
OPERATING COSTS AND EXPENSES	<u>2,001</u>	<u>1,882</u>
INCOME FROM OPERATIONS	520	388
Interest expense	<u>120</u>	<u>126</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	400	262
Provision for income taxes	<u>165</u>	<u>106</u>
NET INCOME	<u>\$ 235</u>	<u>\$ 156</u>
Net income per share:		
Basic and diluted	<u>\$ -</u>	<u>\$ -</u>
Weighted average common shares outstanding:		
Basic	<u>52,883</u>	<u>52,883</u>
Diluted	<u>52,883</u>	<u>53,098</u>

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

	March 31, 2010 Unaudited	December 31, 2009 Derived from audited financial statements
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 732	\$ 1,002
Accounts receivable-net	7,118	7,007
Inventory	6,696	6,154
Due from vendors	128	366
Prepaid expenses and other current assets	180	221
Deferred income taxes	<u>300</u>	<u>260</u>
Total current assets	15,154	15,010
PROPERTY AND EQUIPMENT – NET	339	352
DEFERRED INCOME TAXES	181	181
OTHER ASSETS	<u>107</u>	<u>119</u>
TOTAL	<u>\$15,781</u>	<u>\$15,662</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable – bank	\$ 6,176	\$ 5,577
Accounts payable	4,711	5,364
Accrued expenses and other current liabilities	<u>695</u>	<u>761</u>
Total current liabilities	11,582	11,702
LONG-TERM OBLIGATIONS	34	42
STOCKHOLDERS' EQUITY	<u>4,165</u>	<u>3,918</u>
TOTAL	<u>\$15,781</u>	<u>\$15,662</u>
COMMON SHARES OUTSTANDING	<u>52,883</u>	<u>52,883</u>

ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY
CONDENSED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(Unaudited, in thousands)

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Net income	\$ 235	\$ 156
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62	55
Provision for doubtful accounts	35	70
Stock option compensation expense	12	23
Deferred income taxes	(40)	(139)
Other	4	11
Changes in operating assets and liabilities-net	<u>(1,134)</u>	<u>(1,489)</u>
Net cash used in operating activities	<u>(826)</u>	<u>(1,313)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(40)</u>	<u>(24)</u>
Net cash used in investing activities	<u>(40)</u>	<u>(24)</u>
FINANCING ACTIVITIES:		
Proceeds from note payable, net of repayments – bank	599	494
Payment of long-term obligations	<u>(3)</u>	-
Net cash provided by financing activities	<u>596</u>	<u>494</u>
DECREASE IN CASH AND EQUIVALENTS	<u>(270)</u>	<u>(843)</u>
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>1,002</u>	<u>924</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 732</u>	<u>\$ 81</u>