

## ALLIANCE DISTRIBUTORS HOLDING INC. REPORTS

### 2009 SECOND QUARTER FINANCIAL RESULTS

For Immediate Release

New York, New York – August 4, 2009 – Alliance Distributors Holding Inc. (OTC: ADTR.PK), a distributor of interactive video games and gaming products, today announced its financial results for the second quarter ended June 30, 2009.

Net sales for the quarter decreased 38% to \$12.7 million from \$20.5 million in the second quarter of 2008. Net income was \$58,000 in the second quarter of 2009, compared to \$253,000 in the second quarter of 2008.

For the six months ended June 30, 2009, net sales decreased 33% to \$29.1 million, compared to \$43.3 million for the same period in 2008. Net income was \$214,000 for the six months ended June 30, 2009 compared to \$285,000 for the comparable period in 2008.

Jay Gelman, Chairman and Chief Executive Officer, said "Our reduced sales level reflects that the challenging times have caught up with our industry. NPD Group, a market research firm, reports that domestic retail sales of video game hardware and software fell 31% in June compared to June 2008. NPD Group further reports that June was the fourth consecutive month of declining year over year sales in our industry.

"Our low margin console sales were particularly hard hit. The company's relative performance was also impacted by the release in the second quarter last year of some of the biggest titles of the year, including Grand Theft Auto IV. No similar major titles were released in the second quarter this year."

Mr. Gelman concluded "We reacted to the decline in sales by selling a higher margin mix of product and continuing to carefully monitor our expenses. As a result, our gross profit as a percent of sales increased to 14.5% in the second quarter of 2009, from 10.2% in the comparable 2008 period."

#### Timing of Conference Call with Q&A

Alliance Distributors will conduct an earnings conference call, including a question and answer period, at 3:00 PM ET on August 5, 2009.

The call-in number for the conference call is:

1-888-578-6632 (confirmation code: 6436791)

About Alliance Distributors Holding Inc.

Alliance Distributors Holding Inc. ([www.alliancedistributors.com](http://www.alliancedistributors.com)), which does business as Alliance Distributors, is a full-service wholesale videogame distributor, specializing in gaming products and accessories for all key manufacturers and 3rd party publishers. Alliance Distributors offers support on: PS3, PSP, PS2, X-Box 360, Wii, DS and GBA SP, peripherals and software titles.

#### Safe Harbor

Certain statements contained in this press release contain forward-looking statements including without limitation, statements concerning our operations, economic performance, and financial condition. The words “estimate,” “believe,” “expect,” and “anticipate” and other similar expressions generally identify forward-looking statements, which speak only as of their dates.

Investors are cautioned that all forward-looking statements, which are based largely on our current expectations, involve risks and uncertainty. Actual results, events and circumstances (including future performance, results and trends) could differ materially from those set forth in such statements due to various factors, risks and uncertainties, including without limitation, risks associated with technological change, competitive factors and general economic conditions, changes in marketing and distribution strategies by manufacturers, continued shortages of new platform systems, difficulty in integrating and deriving synergies from acquisitions, potential undiscovered liabilities of companies that we acquire, changes in our business or growth strategy, the emergence of new or growing competitors, various other competitive and technological factors. There can be no assurance that the results referred to in the forward-looking statements contained in this release will occur. The Company has no duty and undertakes no obligation to update any forward-looking information, whether as a result of new information, future developments or otherwise.

**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 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, <u>2009</u></b> Unaudited	<b>December 31, <u>2008</u></b> Derived from audited financial 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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