

**ALLIANCE DISTRIBUTORS HOLDING INC.**  
**STATEMENTS OF OPERATIONS**  
**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007**  
(In thousands, except per share amounts)  
(Unaudited)

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>NET SALES</b>	\$22,146	\$16,691	\$ 65,507	\$ 45,463
<b>COST OF GOODS SOLD</b>	<u>20,206</u>	<u>15,091</u>	<u>59,647</u>	<u>41,300</u>
<b>GROSS PROFIT</b>	1,940	1,600	5,860	4,163
<b>OPERATING COSTS AND EXPENSES:</b>				
Selling and administrative expenses	<u>1,604</u>	<u>2,020</u>	<u>4,898</u>	<u>5,642</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	336	(420)	962	(1,479)
Interest expense	<u>111</u>	<u>166</u>	<u>432</u>	<u>592</u>
<b>INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	225	(586)	530	(2,071)
Provision for income taxes	<u>6</u>	<u>-</u>	<u>26</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 219</u>	<u>\$ (586)</u>	<u>\$ 504</u>	<u>\$(2,071)</u>
<b>Net income (loss) per share – basic and diluted</b>	<u>\$ -</u>	<u>\$(0.01)</u>	<u>\$ 0.01</u>	<u>\$(0.04)</u>
<b>Weighted average common shares outstanding –</b>				
<b>Basic</b>	<u>53,883</u>	<u>49,745</u>	<u>53,727</u>	<u>48,538</u>
<b>Diluted</b>	<u>54,602</u>	<u>49,745</u>	<u>54,337</u>	<u>48,538</u>

**ALLIANCE DISTRIBUTORS HOLDING INC.**  
**CONDENSED BALANCE SHEET**  
**SEPTEMBER 30, 2008**  
**(Unaudited; in thousands)**

**ASSETS**

**CURRENT ASSETS:**

Cash and equivalents	\$ 737
Accounts receivable-net	4,440
Inventory	7,156
Due from vendors	406
Prepaid expenses and other current assets	147
Deferred income taxes	<u>91</u>

**Total current assets** 12,977

**PROPERTY AND EQUIPMENT – NET** 522

**DEFERRED INCOME TAXES** 127

**OTHER ASSETS** 57

**TOTAL** \$13,683

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Notes payable – bank	\$ 5,837
Accounts payable	4,924
Current portion of long term obligations	2
Accrued expenses and other current liabilities	<u>244</u>

**Total current liabilities** 11,007

**DEFERRED LEASE OBLIGATIONS** 51

**STOCKHOLDERS' EQUITY** 2,625

**TOTAL** \$13,683

**COMMON SHARES OUTSTANDING** 53,883