

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

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
NET SALES	\$15,356	\$22,146	\$ 44,476	\$ 65,507
COST OF GOODS SOLD	<u>13,397</u>	<u>20,206</u>	<u>38,399</u>	<u>59,647</u>
GROSS PROFIT	1,959	1,940	6,077	5,860
OPERATING COSTS AND EXPENSES	<u>1,695</u>	<u>1,604</u>	<u>5,196</u>	<u>4,898</u>
INCOME FROM OPERATIONS	264	336	881	962
Interest expense	<u>89</u>	<u>111</u>	<u>339</u>	<u>432</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	175	225	542	530
Provision for income taxes	<u>60</u>	<u>6</u>	<u>213</u>	<u>26</u>
NET INCOME	<u>\$ 115</u>	<u>\$ 219</u>	<u>\$ 329</u>	<u>\$ 504</u>
Net income per share – basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding –				
Basic	<u>52,883</u>	<u>53,883</u>	<u>52,883</u>	<u>53,727</u>
Diluted	<u>52,884</u>	<u>54,602</u>	<u>52,938</u>	<u>54,337</u>

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

	September 30, <u>2009</u> Unaudited	December 31, <u>2008</u> Derived from audited financial statements
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	\$ 971	\$ 924
Accounts receivable-net	4,574	5,334
Inventory	5,963	7,262
Due from vendors	284	342
Prepaid expenses and other current assets	183	215
Deferred income taxes	<u>429</u>	<u>263</u>
Total current assets	12,404	14,340
PROPERTY AND EQUIPMENT – NET	348	501
DEFERRED INCOME TAXES	187	178
OTHER ASSETS	<u>61</u>	<u>88</u>
TOTAL	<u>\$13,000</u>	<u>\$15,107</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable – bank	\$ 5,516	\$ 6,806
Accounts payable	3,248	4,630
Accrued expenses and other current liabilities	<u>620</u>	<u>425</u>
Total current liabilities	9,384	11,861
DEFERRED LEASE OBLIGATIONS	41	50
STOCKHOLDERS' EQUITY	<u>3,575</u>	<u>3,196</u>
TOTAL	<u>\$13,000</u>	<u>\$15,107</u>
COMMON SHARES OUTSTANDING	<u>52,883</u>	<u>52,883</u>

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

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Net income	\$ 329	\$ 504
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	165	154
Provision for doubtful accounts	145	70
Stock option compensation expense	50	60
Deferred income taxes	(175)	-
Other	21	46
Changes in operating assets and liabilities-net	<u>852</u>	<u>652</u>
Net cash provided by operating activities	<u>1,387</u>	<u>1,486</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(12)</u>	<u>(70)</u>
Net cash used in investing activities	<u>(12)</u>	<u>(70)</u>
FINANCING ACTIVITIES:		
Repayments of note payable, net of proceeds – bank	(1,290)	(950)
Payment of deferred financing costs	(38)	(45)
Payment of long-term obligations	<u>-</u>	<u>(4)</u>
Net cash used in financing activities	<u>(1,328)</u>	<u>(999)</u>
INCREASE IN CASH AND EQUIVALENTS	<u>47</u>	<u>417</u>
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>924</u>	<u>320</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 971</u>	<u>\$ 737</u>