

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY**  
**INCOME STATEMENTS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(Unaudited; in thousands)**

	<u>2011</u>	<u>2010</u>
<b>NET SALES</b>	\$10,280	\$11,211
<b>COST OF GOODS SOLD</b>	<u>8,761</u>	<u>9,626</u>
<b>GROSS PROFIT</b>	1,519	1,585
<b>OPERATING COSTS AND EXPENSES</b>	<u>1,347</u>	<u>1,492</u>
<b>INCOME FROM OPERATIONS</b>	172	93
Interest expense	<u>88</u>	<u>89</u>
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	84	4
Provision for income taxes	<u>38</u>	<u>-</u>
<b>NET INCOME</b>	<u>\$ 46</u>	<u>\$ 4</u>
Net income per share:		
Basic and diluted	<u>\$ -</u>	<u>\$ -</u>
Weighted average common shares outstanding:		
Basic and diluted	<u>44,157</u>	<u>52,883</u>

Certain 2010 amounts have been reclassified to conform to the 2011 presentation

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

	<b>September, <u>2011</u></b>	<b>September, <u>2010</u></b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 362	\$ 326
Accounts receivable-net	4,060	4,666
Inventory	7,780	6,531
Advances to suppliers	677	1,440
Prepaid expenses and other current assets	155	296
Deferred income taxes	<u>268</u>	<u>277</u>
<b>Total current assets</b>	13,302	13,536
<b>PROPERTY AND EQUIPMENT – NET</b>	140	264
<b>DEFERRED INCOME TAXES</b>	230	185
<b>OTHER ASSETS</b>	<u>77</u>	<u>89</u>
<b>TOTAL</b>	<u>\$13,749</u>	<u>\$14,074</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Notes payable – bank	\$ 5,388	\$ 6,733
Accounts payable	3,795	2,726
Accrued expenses and other current liabilities	<u>299</u>	<u>349</u>
<b>Total current liabilities</b>	9,482	9,808
<b>LONG-TERM OBLIGATIONS</b>	-	20
<b>STOCKHOLDERS' EQUITY</b>	<u>4,267</u>	<u>4,246</u>
<b>TOTAL</b>	<u>\$13,749</u>	<u>\$14,074</u>
<b>COMMON SHARES OUTSTANDING</b>	<u>44,157</u>	<u>52,883</u>

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
(Unaudited, in thousands)

	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 46	\$ 4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24	64
Other	20	-
Changes in operating assets and liabilities-net	<u>(506)</u>	<u>(2,244)</u>
Net cash used in operating activities	<u>(416)</u>	<u>(2,176)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(9)</u>	<u>(1)</u>
Net cash used in investing activities	<u>(9)</u>	<u>(1)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from note payable, net of repayments – bank	-	1,602
Repayments of note payable, net of proceeds – bank	(201)	-
Payment of long-term obligations	<u>-</u>	<u>(5)</u>
Net cash (used in) provided by financing activities	<u>(201)</u>	<u>1,597</u>
<b>DECREASE IN CASH AND EQUIVALENTS</b>	<u>(626)</u>	<u>(580)</u>
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>988</u>	<u>906</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 362</u>	<u>\$ 326</u>