

ALLIANCE DISTRIBUTORS HOLDING INC. REPORTS  
DECEMBER 31, 2010 FINANCIAL RESULTS AND INVESTOR CONFERENCE CALL

For Immediate Release

New York, New York – February 15, 2011 – Alliance Distributors Holding Inc. (Pink Sheets: ADTR.PK), a distributor of interactive video games and gaming products, today announced its financial results for the three and six month periods ended December 31, 2010.

Net sales for the three months ended December 31, 2010 decreased 21% to \$19.4 million from \$24.6 million in the three months ended December 31, 2009. Net income for the three months ended December 31, 2010 was \$266,000, compared to \$328,000 for the comparable period in 2009.

For the six months ended December 31, 2010, net sales decreased 23% to \$30.6 million from \$40.0 million in the three months ended December 31, 2009. Net income for the six months ended December 31, 2010 was \$270,000, compared to \$443,000 for the comparable period in 2009.

"We continued to see a challenging market in video games during the quarter ended December 31, 2010," said Jay Gelman, Chairman and Chief Executive Officer. "General weakness in the sales of most hardware platforms, and lack of new blockbuster frontline software releases were major contributing factors. Although our revenue was negatively affected by the lack of new frontline software, we continued to execute on our strategy of focusing on value software offerings where we earn our highest profit margin."

"We also remain committed to our content development strategy through our Metaversal Studios subsidiary," Gelman continued. "As we previously announced, we recently hired Matt Sughrue, an industry veteran to head the studio; adding a strong management component to our creative team." We believe continued investment in Metaversal Studios is an important strategic initiative for the company. From inception in October 2009 to date, we have incurred costs net of revenues approximating \$500,000.

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 Thursday, February 24, 2011

The call-in number for the conference call is:

888-724-9513 (Pass code: 6185030)

## 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. Alliance develops downloadable and social content video games through Metaversal Studios ([www.metaversalstudios.com](http://www.metaversalstudios.com)), which it wholly-owns.

## 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,” “should” 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, including the related impact on discretionary consumer spending, changes in marketing and distribution strategies by manufacturers, continued shortages of new platform systems, timely development and release of video game products we produce, potential cost overruns in our development of video games, ability to protect our intellectual property rights, potential claims that we have infringed the intellectual property rights of others, market acceptance of games we develop, ability to realize anticipated benefits of 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. AND SUBSIDIARY**  
**CONSOLIDATED INCOME STATEMENTS**

(In thousands, except per share amounts)  
(unaudited)

	Three Months ended December 31,		Six Months ended December 31,	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
NET SALES	\$19,415	\$24,601	\$30,626	\$39,957
COST OF GOODS SOLD	<u>17,016</u>	<u>21,635</u>	<u>26,685</u>	<u>35,032</u>
GROSS PROFIT	2,399	2,966	3,941	4,925
OPERATING COSTS AND EXPENSES	<u>1,797</u>	<u>2,317</u>	<u>3,246</u>	<u>4,012</u>
INCOME FROM OPERATIONS	602	649	695	913
Interest expense	<u>156</u>	<u>114</u>	<u>245</u>	<u>203</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	446	535	450	710
Provision for income taxes	<u>180</u>	<u>207</u>	<u>180</u>	<u>267</u>
NET INCOME	<u>\$ 266</u>	<u>\$ 328</u>	<u>\$ 270</u>	<u>\$ 443</u>
Net income per share:				
Basic and diluted	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average common shares outstanding:				
Basic and Diluted	<u>52,883</u>	<u>52,883</u>	<u>52,883</u>	<u>52,883</u>

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**December 31, 2010 and 2009**  
(in thousands)

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	Unaudited	Derived from audited financial statements
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 183	\$ 1,002
Accounts receivable-net	5,444	7,007
Inventory	10,223	6,154
Advances to suppliers	286	366
Prepaid expenses and other current assets	135	221
Deferred income taxes	<u>287</u>	<u>260</u>
<b>Total current assets</b>	16,558	15,010
<b>PROPERTY AND EQUIPMENT – NET</b>	212	352
<b>DEFERRED INCOME TAXES</b>	185	181
<b>OTHER ASSETS</b>	<u>80</u>	<u>119</u>
<b>TOTAL</b>	<u>\$17,035</u>	<u>\$15,662</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Notes payable – bank	\$ 7,925	\$ 5,577
Accounts payable	4,288	5,364
Accrued expenses and other current liabilities	<u>288</u>	<u>761</u>
<b>Total current liabilities</b>	12,501	11,702
<b>DEFERRED LEASE OBLIGATIONS</b>	12	37
<b>LONG TERM OBLIGATIONS</b>	-	5
<b>STOCKHOLDERS' EQUITY</b>	<u>4,522</u>	<u>3,918</u>
<b>TOTAL</b>	<u>\$17,035</u>	<u>\$15,662</u>
<b>COMMON SHARES OUTSTANDING</b>	<u>52,883</u>	<u>52,883</u>

**ALLIANCE DISTRIBUTORS HOLDING INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**SIX MONTHS ENDED DECEMBER 31, 2010 AND 2009**  
(unaudited, in thousands)

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 270	\$ 443
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129	111
Provision for doubtful accounts	10	90
Equity compensation expense	18	29
Deferred income taxes	-	192
Other	(16)	9
Changes in operating assets and liabilities-net	<u>(3,908)</u>	<u>(1,361)</u>
Net cash used in operating activities	<u>(3,497)</u>	<u>(487)</u>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(5)	(50)
Acquisition of assets of Metaversal Studios	-	(25)
Note Receivable in connection with acquisition	<u>-</u>	<u>(30)</u>
Net cash used in investing activities	<u>(5)</u>	<u>(105)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from note payable, net of repayments – bank	2,794	769
Payment of long-term obligations	<u>(15)</u>	<u>(5)</u>
Net cash provided by financing activities	<u>2,779</u>	<u>764</u>
<b>(DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<u>(723)</u>	<u>172</u>
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>906</u>	<u>830</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 183</u>	<u>\$ 1,002</u>

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