

ALLIANCE DISTRIBUTORS HOLDING INC. REPORTS SEPTEMBER 30, 2011
FINANCIAL RESULTS

For Immediate Release

New York, New York – December 1, 2011 – Alliance Distributors Holding Inc. (Pink Sheets: ADTR), a distributor of interactive video games and gaming products, today announced its financial results for its first quarter ended September 30, 2011.

Net sales for the first quarter were \$10.3 million, down 8 percent from the comparable 2010 period. Net income for the quarter increased to \$46,000, compared to \$4,000 for the comparable period in 2010.

Jay Gelman, Chairman and Chief Executive Officer, said, “A disappointing release schedule of front line software by the industry led to reduced consumer spending during the quarter. Operating profits from our distribution business were nevertheless sufficient to fund the creative efforts of our Metaversal subsidiary in video game development.

“In our distribution business we continue to focus on higher margin value software sales and to a lesser extent on front-line software. We are deemphasizing lower margin hardware sales.”

About Alliance Distributors Holding Inc.

Alliance Distributors Holding Inc. (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, Xbox 360, Wii, DS and GBA SP, peripherals and software titles. Alliance develops downloadable and social content video games through Metaversal Studios (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
THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited; in thousands)

	<u>2011</u>	<u>2010</u>
NET SALES	\$10,280	\$11,211
COST OF GOODS SOLD	<u>8,761</u>	<u>9,626</u>
GROSS PROFIT	1,519	1,585
OPERATING COSTS AND EXPENSES	<u>1,347</u>	<u>1,492</u>
INCOME FROM OPERATIONS	172	93
Interest expense	<u>88</u>	<u>89</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	84	4
Provision for income taxes	<u>38</u>	<u>-</u>
NET INCOME	<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
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited, in thousands)

	September, <u>2011</u>	September, <u>2010</u>
ASSETS		
CURRENT ASSETS:		
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>
Total current assets	13,302	13,536
PROPERTY AND EQUIPMENT – NET	140	264
DEFERRED INCOME TAXES	230	185
OTHER ASSETS	<u>77</u>	<u>89</u>
TOTAL	<u>\$13,749</u>	<u>\$14,074</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
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>
Total current liabilities	9,482	9,808
LONG-TERM OBLIGATIONS	-	20
STOCKHOLDERS' EQUITY	<u>4,267</u>	<u>4,246</u>
TOTAL	<u>\$13,749</u>	<u>\$14,074</u>
COMMON SHARES OUTSTANDING	<u>44,157</u>	<u>52,883</u>

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

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES:		
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>
INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(9)</u>	<u>(1)</u>
Net cash used in investing activities	<u>(9)</u>	<u>(1)</u>
FINANCING ACTIVITIES:		
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>
DECREASE IN CASH AND EQUIVALENTS	<u>(626)</u>	<u>(580)</u>
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>988</u>	<u>906</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 362</u>	<u>\$ 326</u>

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