

The Alpine Group, Inc.
Financial Statements
For the fiscal years ended December 31, 2009 and 2008

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
The Alpine Group, Inc.
East Rutherford, New Jersey

We have audited the accompanying consolidated balance sheet of The Alpine Group, Inc. (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Synergy Cables Ltd., a majority owned subsidiary, accounted for using the equity method (see below). The financial statements of Synergy Cables Ltd. for the years ended December 31, 2009 and 2008, prepared on the basis of International Financial Reporting Standards (IFRS), were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Synergy Cables Ltd., is based solely on the report of other auditors and the procedures that we considered necessary in the circumstances with respect to the inclusion of Company's equity investment and equity method income in the accompanying consolidated financial statements taking into consideration differences between IFRS and those generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

The Company has accounted for Synergy Cables Ltd., a majority owned subsidiary, as an equity affiliate that, in our opinion, should be consolidated to conform with accounting principles generally accepted in the United States of America. The Company has also not applied business combination accounting to Synergy Cables Ltd. to reflect the change of control that occurred when the Company became the majority shareholder of that subsidiary. The impact of not consolidating the Company and not applying business combination accounting has not been determined but based on the size of that subsidiary, the impacts would be significant to the financial statements of the Company (see Note 1).

Due to the effects of the accounting treatment of Synergy Cables Ltd, as described in the preceding paragraph, in our opinion, the 2009 and 2008 financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2009 and 2008 or the results of its operations or its cash flows for the years then ended.

\s\ Crowe Horwath LLP

Fort Wayne, Indiana
April 30, 2010

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

ASSETS	December 31, 2009	December 31, 2008
Current assets:		
Cash and cash equivalents	\$ 1,542	\$ 1,942
Amount due from redemption of investment (Note 1)	—	925
Marketable securities, at fair value (Note 1)	4,646	2,510
Restricted cash (Note 1)	582	11,593
Other investments (Note 1)	51	51
Accounts receivable, trade	7,381	1,761
Accounts receivable, affiliates (Note 1)	3,412	1,528
Income tax receivable (Note 8)	7,064	—
Inventories, net (Note 2)	24,740	24,073
Derivative assets (Note 13)	1,991	11,087
Prepaid expenses, deposits and other current assets	2,633	2,554
Total current assets	54,042	58,024
Property, plant and equipment, net (Note 3)	550	665
Investment in affiliates (Note 4)	—	3,589
Deferred income taxes	2,576	2,595
Goodwill	1,033	1,033
Other assets	1,577	1,192
Total assets	\$ 59,778	\$ 67,098
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (Note 6)	\$ 10,399	\$ 6,658
Other short term borrowings (Note 6)	1,801	2,048
Current portion of long-term debt (Note 7)	233	71
Current portion of mandatorily redeemable series A convertible preferred stock (1,582 shares outstanding at December 31, 2009) (Note 9)	601	—
Cash deposit from affiliate (Note 13)	—	9,490
Accounts payable	7,031	3,737
Accounts payable, affiliates (Note 1)	5,531	—
Accrued expenses	4,038	4,821
Derivative liabilities (Note 13)	2,868	10,704
Income taxes payable	—	1,951
Deferred income taxes (Note 8)	6,871	8,032
Total current liabilities	39,373	47,512
Long-term debt, less current portion (Note 7)	—	222
Other long-term liabilities	1,396	1,388
Mandatorily redeemable series A convertible preferred stock (2,541 and 12,171 shares outstanding at December 31, 2009 and 2008, respectively) less current portion (Note 9)	956	4,585
Stockholders' equity:		
9% cumulative convertible preferred stock at liquidation value	177	177
Common stock, \$.10 par value; (50,000,000 shares authorized; 32,594,407 and 26,785,560 shares issued at December 31, 2009 and 2008, respectively)	3,259	2,678
Capital in excess of par value	174,203	171,675
Accumulated other comprehensive loss	(4,590)	(14,321)
Accumulated deficit	(38,360)	(30,175)
Treasury stock, at cost (17,743,444 and 17,556,055 shares at December 31, 2009 and 2008, respectively)	(116,567)	(116,505)
Receivable from stockholders (Note 15)	(69)	(138)
Total stockholders' equity	18,053	13,391
Total liabilities and stockholders' equity	\$ 59,778	\$ 67,098

The accompanying notes are an integral part of these consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,	
	2009	2008
Net sales	\$ 36,677	\$ 51,995
Cost of goods sold.....	33,867	43,768
Gross profit	2,810	8,227
Selling, general and administrative expenses.....	5,711	7,004
Operating income (loss).....	(2,901)	1,223
Interest expense.....	(175)	(295)
Dividend and interest income.....	104	763
Realized gain /(loss) on sale of investments	498	(668)
Other income, net.....	78	315
Income (loss) before income taxes, equity in earnings (loss) of affiliates and discontinued operations	(2,396)	1,338
Income tax benefit.....	7,710	237
Income (loss) before equity in earnings (loss) of affiliates and discontinued operations	5,314	1,575
Loss on sale of Wolverine preferred stock.....	(9,756)	—
Equity in losses of affiliates	(3,362)	(25,618)
Loss from continuing operations	(7,804)	(24,043)
Discontinued operations (Note 5):		
Income from discontinued operations before income taxes	—	6,392
Income tax provision	—	(2,557)
Income from discontinued operations.....	—	3,835
Net loss.....	(7,804)	(20,208)
Preferred stock dividends.....	(381)	(387)
Net loss applicable to common stock.....	\$ (8,185)	\$ (20,595)
Net income (loss) per share of common stock: (Note 10)		
Basic and diluted:		
Income (loss) attributable to common stock from continuing operations	\$ (0.69)	\$ (2.14)
Income (loss) from discontinued operations.....	—	0.34
Net income (loss) per basic share of common stock	\$ (0.69)	\$ (1.80)
Weighted average shares outstanding:		
Basic and diluted:	11,841	11,444

The accompanying notes are an integral part of these consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
(in thousands, except share data)

	Year Ended December 31,			
	2009		2008	
	Shares	Amount	Shares	Amount
9% cumulative convertible preferred stock:				
Balance at beginning and end of period.....	177	\$ 177	177	\$ 177
Common stock:				
Balance at beginning of period ..	26,785,560	2,678	26,752,868	2,675
Shares issued pursuant to the Series A Preferred Stock conversion.....	5,808,847	581	32,692	3
Balance at end of period	<u>32,594,407</u>	<u>3,259</u>	<u>26,785,560</u>	<u>2,678</u>
Capital in excess of par value:				
Balance at beginning of period ..		171,675		171,027
Compensation expense related to restricted stock and certain stock options, less vested shares released from Treasury		168		705
Shares issued pursuant to the Series A Preferred Stock conversion.....		2,360		13
Deferred stock account distribution		—		(70)
Balance at end of period		<u>174,203</u>		<u>171,675</u>
Accumulated other comprehensive income (loss):				
Balance at beginning of period ..		(14,321)		29
Realized net (gains) losses on sale of securities (net of tax (benefit)/provision of \$199 and \$(267) respectively)		(299)		401
Change in unrealized gains (losses) on securities, (net of tax (benefit)/provision of \$(334) and \$333 respectively)		501		(500)
Change in unrealized other comprehensive income (loss) of equity affiliates		9,529		(14,251)
Balance at end of period		<u>(4,590)</u>		<u>(14,321)</u>

(Continued)

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (Continued)
(in thousands, except share data)

	Year Ended December 31,			
	2009		2008	
	Shares	Amount	Shares	Amount
Accumulated deficit:				
Balance at beginning of period ..		(30,175)		(9,580)
Net loss		(7,804)		(20,208)
Dividends on preferred stock.....		(381)		(387)
Balance at end of period		(38,360)		(30,175)
Treasury stock:				
Balance at beginning of period ..	(17,556,055)	(116,505)	(17,427,255)	(116,239)
Stock options and grants	4,368	12	27,020	83
Stock repurchase	(191,757)	(74)	(155,820)	(349)
Balance at end of period	(17,743,444)	(116,567)	(17,556,055)	(116,505)
Receivable from stockholders:				
Balance at beginning of period ..		(138)		(207)
Forgiveness of Officers' loans ...		69		69
Balance at end of period		(69)		(138)
Total stockholders' equity.....		\$ 18,053		\$ 13,391

	Year Ended December 31,	
	2009	2008
	(in thousands)	
Net loss.....	\$(7,804)	\$(20,208)
Change in unrealized gains (losses) on investment securities, net of tax	202	(99)
Change in unrealized other comprehensive loss of equity in affiliates	9,529	(14,251)
Total comprehensive income (loss).....	\$ 1,927	\$(34,558)

The accompanying notes are an integral part of these consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Net loss.....	\$ (7,804)	\$ (20,208)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	190	183
Compensation expense related to stock options and grants	249	786
Deferred income taxes	(1,277)	(2,045)
Loss on sale of Wolverine preferred stock	9,756	—
Equity in loss of affiliates	3,362	25,618
Realized loss (gain) on investments in securities.....	(498)	668
Change in assets and liabilities:		
Accounts receivable, net	(5,620)	1,938
Accounts receivable/payable, affiliates.....	3,647	(1,406)
Deposits from affiliates.....	(9,490)	9,490
Inventories, net.....	(667)	3,928
Derivative assets and liabilities, net.....	1,260	(383)
Other current and non-current assets	(165)	1,581
Accounts payable.....	3,294	(5,219)
Income taxes – current.....	(9,015)	195
Accrued expenses	(799)	(1,929)
Other, net	8	(139)
Cash flows provided by (used for) operating activities.....	<u>(13,569)</u>	<u>13,058</u>
Cash flows from investing activities:		
Capital expenditures.....	(28)	(74)
Purchase of marketable securities	(5,362)	(20,379)
(Increase) decrease in restricted cash	11,012	(9,732)
Proceeds from sale of marketable securities	4,985	28,237
Investment in affiliates.....	—	(15,197)
Cash flows used for investing activities	<u>10,607</u>	<u>(17,145)</u>
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit facilities.....	3,742	(1,322)
Other short-term borrowings.....	(246)	2,048
Debt issuance costs	(335)	(30)
Repayments of long-term borrowings.....	(72)	(93)
Purchase of treasury stock.....	(74)	(349)
Dividends on preferred stock	(365)	(371)
Preferred stock redemption	(88)	—
Cash flows provided by (used for) financing activities.....	<u>2,562</u>	<u>(117)</u>
Net increase (decrease) in cash and cash equivalents.....	(400)	(4,204)
Cash and cash equivalents at beginning of year	1,942	6,146
Cash and cash equivalents at end of year	<u>\$ 1,542</u>	<u>\$ 1,942</u>
Supplemental disclosures:		
Cash paid for interest	\$ 126	\$ 428
Cash paid for income taxes, net	\$ 2,596	\$ 4,198

The accompanying notes are an integral part of these consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

1. Summary of significant accounting policies

Basis of presentation and description of business

The accompanying consolidated financial statements represent the accounts of The Alpine Group, Inc. and the consolidation of all of its majority-controlled subsidiaries (collectively "Alpine" or the "Company", unless the context otherwise requires) with the exception of its 52% owned subsidiary, Synergy Cables Ltd. ("SCL"), which is accounted for using the equity method. According to accounting principles generally accepted in the United States of America, Alpine's financial statements are required to include the consolidation of SCL. Additionally, as a result of the Company gaining control of SCL, business combination accounting should have been applied with respect to this investment. SCL has not been consolidated, and for the reason discussed in the following sentence, such accounting has not been applied. Since the Company continues its intent to reduce its ownership in SCL to below 50%, the equity method has been utilized in the financial statements presented herein. After giving effect to options and warrants exercisable by third parties, the Company's fully diluted ownership in SCL would be approximately 40%. During the fourth quarter of 2009 Alpine's investment in SCL was written down to zero due to accumulated net losses at SCL exceeding the Company's equity investment. Alpine's statement of operation excludes approximately \$2.8 million of additional losses that would be included if it were accounted for on a consolidated basis. Alpine is not liable for any indebtedness or other liabilities of SCL. There were no differences between International Financial Reporting Standards ("IFRS") as used by SCL and accounting principles generally accepted in the United States of America ("GAAP") as used by Alpine, that would have a material effect on the results of operations of SCL. Summary financial information related to SCL for 2009 and 2008 is presented below:

	December 31, 2009	December 31, 2008
Balance Sheet		
Current assets.....	\$ 96,634	\$115,416
Long-term assets.....	48,694	62,950
Total assets	\$ 145,328	\$178,366
Current liabilities	\$ 90,991	\$105,061
Long-term liabilities	33,268	40,744
Stockholders' equity	21,069	32,561
Total liabilities and stockholders' equity	\$ 145,328	\$178,366
	Year ended December 31, 2009	Year ended December 31, 2008
Statement of Operations		
Net sales	\$ 136,759	\$ 244,172
Net loss.....	\$(11,860)	\$(24,740)

Alpine was incorporated in New Jersey in 1957 and reincorporated in Delaware in 1987. Alpine is a holding company which over the recent past has owned and operated industrial and other manufacturing companies. At December 31, 2009 Alpine's operations consisted of its 52% ownership in SCL, an Israeli based producer of wire and cable products, Exeon Inc. ("Exeon"), a wholly owned subsidiary, primarily engaged in the business of copper and other metal products wholesaling and in copper scrap reclamation and Posterloid Corporation ("Posterloid"), a wholly owned subsidiary engaged in the design and manufacture of menu boards and signage for the food service industry and financial institutions. Additionally, as of December 31, 2009 Alpine had a 4.6% ownership investment (on a fully diluted basis) in Wolverine Tube, Inc. ("Wolverine"), a manufacturer of copper and copper alloy tubular products (see Note 4).

Significant customers

Exclusive of Wolverine (see Notes 1, 4, and 16) no one customer accounted for more than 10% of net sales for the year-ended December 31, 2009 and one customer accounted for 14% of net sales for the year-ended December 31, 2008. The outstanding accounts receivable for this one customer as of December 31, 2008 was \$0.4 million.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

1. Summary of significant accounting policies (Continued)

Cash and cash equivalents

All highly liquid investments purchased with a maturity at acquisition of 90 days or less are considered to be cash equivalents.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable, and short-term accrued expenses are reflected in the consolidated financial statements at historical value, which approximates fair value, because of the short-term duration of these instruments. The carrying values of the revolving line of credit and the long-term debt approximate fair values, as the notes bear interest at rates, which are available to the Company, for notes with similar terms and maturities.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal (or the most advantageous) market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company utilizes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of items which are measured on a recurring basis:

Investments: The fair values of marketable securities of \$4.6 million as of December 31, 2009 were determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Derivatives: The derivative instruments consist primarily of copper futures contracts representing copper pounds used to hedge copper transactions at Exeon (see Note 13). The fair value of the related derivative financial instruments was determined by obtaining quoted closing COMEX prices on the NYMEX exchange (Level 1 inputs) as of the balance sheet dates herein.

Marketable securities

The Company's investment securities were classified as available for sale at December 31, 2009 and 2008 and carried at fair value.

Restricted cash

The Company is required to make certain margin deposits with its commodity brokers related to its derivative contracts used to hedge certain transactions (see Note 13). The deposits include both initial margin requirements and variation margin, to the extent that such variation results in a net loss position. The company had total net deposits of \$0.6 and \$11.3 million as of December 31, 2009 and 2008, respectively. The Company was also required to maintain \$0.3 million of cash on deposit in accordance with its former revolving credit agreement (see Note 6), which is included in Restricted cash as of December 31, 2008 but is zero at December 31, 2009.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

1. Summary of significant accounting policies (Continued)

Amount due from redemption of investment and other investments

The Company has an investment in a limited partnership investment fund which, due to the Company's less than 1% ownership in the partnership, is accounted for using the cost basis of accounting. Since such investment is accounted for on a cost basis, the recorded balance does not reflect appreciation in the investment. The estimated fair value of the investment as of December 31, 2009, based upon the valuation of the underlying assets as provided by this limited partnership, was \$0.1 million and is classified as other investments herein. In December 31, 2008 the Company liquidated \$0.9 million of the investment and realized a gain of approximately \$0.1 million from the sale of this investment; however since the actual proceeds were not received until January 2009, the liquidated portion of the investment was classified as "Amount due from redemption of investment" at December 31, 2008.

Accounts receivable/payable, affiliates

At December 31, 2009 Exeon had a net \$2.1 million due to Wolverine. This amount represents the net of \$5.5 million due Wolverine pursuant to the Toll Agreement between Exeon and Wolverine entered into in December 2009 less \$3.4 million due from Wolverine pursuant to the Supply Agreement between the two parties entered into in December 2007 (see Note 15 for further description of these two agreements). At December 31, 2008 Exeon had \$1.5 million in accounts receivable due from Wolverine pursuant to the Supply Agreement for the procurement and sale of copper cathode and scrap by Exeon to Wolverine (see Note 15). The Company has also accrued \$1.0 million of dividends, for which payment has been deferred, related to the Company's investment in Wolverine Series A preferred stock (see Note 4); however, based on current evaluation, it is more likely than not that the Company will not receive these dividends, therefore they have been fully reserved at December 31, 2009.

Inventories

Substantially all of the Exeon inventories are stated at the lower of cost or market, using the last-in, first-out ("LIFO") method. The LIFO reserve at December 31, 2008 was a \$12.9 million debit balance position due primarily to the fact that Exeon added a 7.5 million copper pound layer at the end of 2007, which was valued for LIFO purposes at \$3.05 per pound compared with a FIFO value at December 31, 2008 of approximately \$1.50 per pound. The Company determines whether a lower of cost or market ("LCM") provision is required on a quarterly basis by analyzing the current replacement cost of the inventory compared to its carrying value. As of December 31, 2008 a LCM reserve of \$14.1 million was recorded due primarily to the aforementioned LIFO valuation at December 31, 2008. The LIFO cost of the Exeon inventories was lower than the market values as of December 31, 2009 and therefore no LCM adjustment was needed as of December 31, 2009.

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Leasehold improvements are amortized over the lesser of the estimated useful lives of the assets or the lease term. Depreciation and amortization are provided over the estimated useful lives of the assets using the straight-line method. The estimated lives are as follows:

Buildings and improvements	5 to 40 years
Machinery and equipment	3 to 15 years

Maintenance and repairs are charged to expense as incurred. Long-term improvements are capitalized as additions to property, plant and equipment. Upon retirement or other disposal, the asset cost and related accumulated depreciation/amortization are removed from the accounts and the net amount, less any proceeds, is charged or credited to income.

Goodwill

Goodwill of \$1.0 million represents the excess of the purchase price over the fair value of the net assets acquired in the Posterloid acquisition. Goodwill is assessed at least annually for impairment and any such impairment is recognized in the period identified. The goodwill related to the Posterloid acquisition was assessed as of December 31, 2009 and no impairment was deemed necessary.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

1. Summary of significant accounting policies (Continued)

Income taxes

Under ASC 740, “*Income Taxes*”, deferred tax liabilities and assets are recorded for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Property, plant, and equipment, inventories, prepaid pension, postretirement benefit obligations, and certain other accrued liabilities are the primary sources of these temporary differences. Deferred income taxes also include net operating losses and tax credit carryforwards. The Company establishes valuation allowances to reduce deferred tax assets to amounts it believes are more likely than not to be realized. These valuation allowances are adjusted based upon changing facts and circumstances.

The Company also applies the principals of ASC 740 regarding accounting for uncertainty in income taxes which dictates a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The topic also provides guidance on derecognizing of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures. To the extent the Company has uncertain tax positions, it classifies them as other non-current liabilities on the Consolidated Balance Sheets unless they are expected to be paid within one year. Penalties and tax-related interest expense are reported in selling, general and administrative expense and interest expense, net, respectively, on the Consolidated Statements of Operations.

Although no assurance can be given that sufficient taxable income will be generated for utilization of certain of the Company's consolidated net operating loss carryforwards or for reversal of certain temporary differences, the Company believes it is more likely than not that all of the deferred tax assets, after valuation allowance, will be realized.

Derivative financial instruments

The Company accounts for its derivative financial instruments at fair value and establishes criteria for designation and effectiveness of hedging relationships. For each derivative instrument designated as a cash flow hedge, the gain or loss on the derivative is deferred as a separate component of stockholders' equity until recognized in earnings with the underlying hedged item. For each derivative instrument designated as a fair value hedge, the gain or loss on the derivative and the offsetting gain or loss on the hedged item are recognized immediately in earnings. For each derivative instrument that is not designated as a hedging instrument the changes in fair value of these hedges are recognized immediately in cost of goods sold.

The Company does not purchase, hold, or sell derivative contracts unless there is an existing asset, obligation, or an anticipated future activity that is likely to occur and will result in exposing the Company to market risk. Various strategies are used to manage market risk, including the use of derivative contracts to limit, offset or reduce market exposure. Derivative instruments are used to manage well-defined commodity price risks from primary business activities.

Revenue recognition and Accounts Receivables

Revenue on scrap sales is recognized when the product is shipped to the customer, which is when title and risk of loss pass. Credit sales on open accounts are made to customers in the normal course of business. Management periodically reviews its accounts receivable and writes off any amounts deemed to be uncollectible. The Company provides an allowance for doubtful accounts when needed. At December 31, 2009 and 2008 no allowance was required. The Company's price to the buyer is fixed and determinable based upon the price set forth in a written order from the customer.

For products bought and resold to Wolverine and SCL, in accordance with ASC 605-45 Revenue Recognition – Principal Agent Conservations, revenue is recognized on a “net as an agent” basis. While the Company does take title and bears all risks of ownership, there are other indicators, such as the fact the Company's supplier is responsible for the fulfillment of the order, including acceptability of the product as well as the fact that the Company only earns a stated rate of the amount billed to Wolverine or SCL, that result in the sales being recorded on a net basis. Therefore, only the incremental fees earned on the sales are recorded in net revenues in the statement of operations. Revenue on these sales is recognized when title transfers, which is the earlier of consumption or payment.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

1. Summary of significant accounting policies (Continued)

Shipping and handling

All shipping and handling costs are included in costs of sales and all billings associated with these costs are included in revenues.

Earnings per share

Basic earnings per common share are computed by dividing net income applicable to common stock by the weighted average number of shares of common stock outstanding for the period. Diluted earnings per common share is determined assuming (i) the conversion of outstanding stock options, warrants and grants under the treasury stock method, (ii) the conversion of convertible preferred stock and (iii) the dilution in subsidiary earnings resulting from the assumed conversion of subsidiary stock options and grants, if dilutive.

Comprehensive income

Comprehensive income includes all changes in equity from non-owner sources such as net income, foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities.

Use of estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, except for its accounting for SCL its 52% owned subsidiary under the equity method (see Note 1), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangible assets; valuation allowances for receivables, inventories, and deferred income tax assets; liabilities for income tax and other tax contingencies; self-insurance reserves; valuation of derivative instruments; and obligations related to employee benefits. Actual results could differ from those estimates.

Restructuring costs

The Company adopted FASB ASC 420, Exit or Disposal Cost Obligations (formerly SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*) effective January 1, 2003. The restructuring costs incurred during the year ended December 31, 2008 have been accounted for in accordance with FASB ASC 420. These costs are included in discontinued operations.

Guarantees

Since 1993, Alpine has been a party to a guaranty of obligations of a former affiliate, under a lease by such former affiliate of a manufacturing facility in Brownwood, Texas. The lease provides for monthly payments of \$56,000 subject to adjustments for changes in the consumer price index ("CPI"). The lease term expires in 2018 but may be extended through 2033. As such, the maximum potential amount of future payments under the guaranty through 2018 would be approximately \$6 million, plus any incremental amount as a result of CPI adjustments. Any further extensions would amount to a guarantee of approximately \$0.7 million per year plus any incremental amounts as a result of any CPI adjustments. While Alpine's continuing obligations, if any, under the guaranty are not free from doubt, the Company believes the facility and underlying lease are valuable assets of such former affiliate and expects that such former affiliate will perform as tenant thereunder and continue to pay its obligations. In addition, Alpine would have a claim for indemnification and reimbursement from the former affiliate in respect of any amounts paid by Alpine as guarantor.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

1. Summary of significant accounting policies (Continued)

Under the provisions of the Revolving Credit Facility (see Note 6), Alpine and its wholly owned subsidiary Alpine Holdco Inc., have unconditionally committed to make or cause to be made under certain circumstances either (1) an equity contribution or (2) a subordinated loan to Exeon, the borrower under the Revolving Credit Facility in an aggregate amount not to exceed \$2.5 million. Alpine formerly guaranteed the indebtedness of Exeon under a revolving credit facility in the maximum principal amount of \$8 million. This indebtedness was repaid in full on June 16, 2009 and the agreement terminated by mutual consent of both parties.

In connection with the acquisition of Posterloid Corporation (see Note 5), Alpine has guaranteed payment of a contingent earn out of up to a maximum of \$0.5 million based on achievement of certain cumulative performance levels over a three year period. Based upon Posterloid's performance this \$0.5 million is due and payable by April 29, 2010 and is included in accrued expenses in the financial statements contained herein.

Stock –Based Employee Compensation Plans

The Company recognizes stock-based compensation expense in the consolidated financial statements for awards of equity instruments to employees and non-employee directors based on the grant-date fair value of those awards. The Company recognizes these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term.

New accounting pronouncements

In June 2009, FASB established the Codification as the source of authoritative GAAP recognized by the FASB. As a result, all references to original standards throughout the financial statements have been updated to reflect the corresponding Codification topic number.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Inventories

At December 31, 2009 and 2008, the components of inventories are as follows:

	December 31, 2009	December 31, 2008
(in thousands)		
Raw materials	\$ 4,827	\$ 1,313
Work in process	5,529	525
Finished goods	15,141	23,460
Total gross inventories.....	25,497	25,298
Lower of cost or market adjustment	—	(14,094)
LIFO reserve.....	(757)	12,869
Inventories, net	\$ 24,740	\$ 24,073

At December 31, 2009 and 2008, \$23.7 and \$22.3 million of inventories were valued using the LIFO method of accounting respectively.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

3. Property, plant and equipment

At December 31, 2009 and 2008, property, plant and equipment consisted of the following:

	December 31, 2009	December 31, 2008
(in thousands)		
Land	\$ 27	\$ 27
Buildings and improvements	226	226
Machinery and equipment.....	961	933
Gross property, plant and equipment	1,214	1,186
Less accumulated depreciation	(664)	(521)
Net property, plant and equipment.....	\$ 550	\$ 665

Depreciation expense for the years ended December 31, 2009 and 2008, was \$140 and \$152, respectively.

4. Investment in affiliates

Wolverine Tube, Inc.

On February 16, 2007, Alpine and a co-investor, Plainfield Special Situations Master Fund Limited (“Plainfield”), purchased \$10 million and \$40 million, respectively, of newly issued shares of Series A 8% Convertible Preferred Stock (the “Wolverine Series A Preferred Stock”) of Wolverine Tube, Inc. (“Wolverine”), and on February 17, 2007, representatives of Alpine and Plainfield joined Wolverine’s board of directors, constituting a majority thereof. Additionally, on January 25, 2008, Alpine purchased 4,494 shares of Wolverine Series A Preferred Stock at a purchase price per share in cash of \$1,000 for an aggregate purchase price of approximately \$4.5 million. These shares were purchased pursuant to an option granted to Alpine under the Purchase Agreement among Wolverine, Alpine and Plainfield, dated January 31, 2007.

Dividends on the Wolverine Series A Preferred Stock, are cumulative and payable quarterly on each January 31, April 30, July 31 and October 31 at an initial annual rate of 8%. Wolverine is entitled to defer dividends on the Wolverine Series A Preferred Stock in certain circumstances. Any dividend so deferred will accrue at an annual rate of 10% through January 31, 2012 and 12% thereafter. Additionally, if Wolverine fails to register for resale the common stock into which the Wolverine Series A Preferred Stock is convertible (the “registration requirement”), then the applicable initial or deferral dividend rate, as the case may be, increases by 0.50% for the preceding dividend quarter and sequentially for each quarter (or portion thereof) during which such registration requirement remains unsatisfied, up to a maximum aggregate increase of 2%. Since as of July 31, 2007, such registration requirement was unsatisfied, the applicable dividend rate for the quarter ended July 31, 2007 increased to 8.5%. Alpine thereafter and through June 30, 2008 waived any further incremental adjustment in such dividend rate on account of failure to satisfy the registration requirement. However, following the expiration of such waiver period and through the current date the registration requirement remained unsatisfied. This resulted in the resumption of sequential quarterly incremental adjustments of 0.50% to such dividend rate. Additionally, commencing as of April 11, 2008, Wolverine notified Alpine that in accordance with its rights under the certificate of designations for its Series A Preferred Stock, it was electing to defer current payment of dividends. Accordingly, as a result of the foregoing, the annual dividend rate for the Wolverine Series A Preferred Stock was 12.0% on December 31, 2008. The Wolverine Series A Preferred Stock votes with the Wolverine common stock on an as converted basis on all matters. The security is convertible into shares of Wolverine common stock based upon an initial conversion price of \$1.10 per share and would result in an ownership by Alpine in Wolverine of 14.6% on a fully diluted, as converted basis.

On February 16, 2007, Alpine and Wolverine entered into an agreement pursuant to which Alpine will provide certain management and other services to Wolverine for an initial period of two years in consideration of an annual fee of \$1.3 million and reimbursement of its reasonable and customary expenses. During the twelve month period ended December 31, 2009 the Company recorded \$1.3 million as a credit against selling, general and administrative expenses related to management fees under such agreement. During the twelve month period ended December 31, 2008 the Company recorded \$1.1 million in the same manner for such fees for those time periods.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

4. Investment in affiliates (Continued)

On March 29, 2007, October 18, 2007 and August 16, 2008, Wolverine granted Alpine options under the Wolverine Tube, Inc. 2007 Non-Qualified Stock Option Plan (the "Wolverine Option Plan") to purchase 4,399,059 (the "Original Option") 366,588 (the "Additional Option") and 540,294 (the "Second Additional Option") shares of common stock of Wolverine, or 6.0%, 0.5% and 0.5% respectively, of the outstanding shares of Wolverine on a fully diluted, as converted basis as of the respective grant dates. The exercise prices for such options were as follows: \$1.10 per share as to a tranche of 40% of the Original Option and Additional Option shares and \$0.74 per share as to a tranche of 40% of the Second Additional Option shares; \$1.40 per share as to a tranche of 30% of the Original Option and Additional Option shares and \$0.95 per share as to a tranche of 30% of the Second Additional Option shares; and \$2.20 per share as to a tranche of 30% of the Original Option and Additional Option shares and \$1.49 per share as to a tranche of 40% of the Second Additional Option shares. The Original Option, Additional Option and Second Additional Option vest on a pro rata basis among the three tranches listed above in five equal successive annual installments of 20%, commencing, respectively, on the first anniversary of each grant. The term of each option grant expires on, and is exercisable by Alpine as to vested Original Option, Additional Option and Second Additional Option shares until, the tenth anniversary of each respective grant. As a result of the issuance of additional shares of common stock of Wolverine following a rights offering consummated during October 2007, and pursuant to the express terms of the Wolverine Option Plan, the number of common shares underlying the Original Option and the Additional Option were automatically adjusted to 6,483,533 and 540,294, respectively. Also as a result of the foregoing issuance of additional shares of common stock of Wolverine, the exercise prices for the separate 40%, 30% and 30% option tranches granted under the Original Option and Additional Option were adjusted to equal those of the Second Additional Option, i.e. \$0.74, \$0.95 and \$1.49, respectively.

On March 20, 2008, Alpine purchased \$10 million of newly issued shares of Series B 8 ½ % Convertible Preferred Stock (the "Wolverine Series B Preferred") of Wolverine. The terms and provisions of the Wolverine Series B Preferred Stock (including cumulation and payment dates for dividends, initial conversion price, right of Wolverine to defer payment of dividends under certain circumstances at a higher dividend rates, and automatic incremental adjustment of applicable initial or deferral dividend rate upon failure to satisfy the registration requirement in respect of Wolverine Series B Preferred Stock after June 30, 2008) are substantially identical to those of the Wolverine Series A Preferred Stock, except that the initial cumulative dividend rate on the Wolverine Series B Preferred Stock is 8.5% per annum and the rights and seniority of such security are ratable and parri passu with those of the Wolverine Series A Preferred Stock. Following this investment, Alpine owned 22.4% of Wolverine (on a fully diluted as converted basis). Commencing as of April 11, 2008, Wolverine notified Alpine that in accordance with its rights under the certificate of designations for its Series B Preferred Stock, it was electing to defer current payment of dividends. Furthermore, since the registration requirement with respect to the Wolverine Series B Preferred Stock was unsatisfied as of June 30, 2008 and thereafter continued unsatisfied through the current date, the dividend rate increased by 50 basis points effective as of each of July 1, 2008 and August 1, 2008. Accordingly, as a result of the foregoing, the annual dividend rate for the Wolverine Series B Preferred Stock was 12.0% on December 31, 2008.

As a result of Alpine's aforesaid March 20, 2008 additional investment in Wolverine, among other factors, as of such date Alpine adopted the equity method of accounting for its investment in Wolverine. However, no adjustment compared to the cost basis previously applied was deemed necessary for the quarter ended March 31, 2008 as Alpine's share of Wolverine's earnings for the remaining period between March 20, 2008 and the end of such quarter was immaterial for adjustment. During the last nine months of 2008 Alpine recorded \$13.0 and \$12.1 million for its share of Wolverine's losses and its decrease in OCI for the same period, respectively. Since the full effect of Alpine's share of Wolverine's 2008 losses and decrease in OCI would have resulted in a \$3.8 million negative investment in Wolverine, the amounts recorded by Alpine represent a proportional impact of the Wolverine losses and decrease in OCI such that Alpine's investment in Wolverine was zero as of December 31, 2009 and 2008. Since, as described below in this footnote, Alpine sold approximately 80% of its equity interest in Wolverine during December 2009 the Company recorded 80% of the aforesaid \$12.1 million of OCI losses (or \$9.7 million) to Equity in loss of affiliates in the statement of operations for 2009.

During July 2008 and September 2008, Alpine purchased on the open market, 509,382 and 417,853 shares of Wolverine common stock for aggregate purchase prices of \$0.4 million and \$0.3 million, respectively. Following such purchases and as of September 30, 2009, Alpine owned 23.4% of Wolverine on a fully diluted, as converted basis. On October 22, 2009 Alpine sold 406,230 shares of Wolverine common stock for \$21,240 reducing its ownership interest to 23.0%.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

4. Investment in affiliates (Continued)

On December 14, 2009, Alpine sold 14,000 shares of Wolverine Series A Preferred Stock and 6,000 shares of Wolverine Series B Preferred Stock to purchasers in a series of private placements for a purchase price of \$18.18 in cash per share. The sales were made pursuant to individual Purchase and Sale Agreements between Alpine and each purchaser. Under the Purchase and Sale Agreements, Alpine is entitled to receive an additional contingent payment in the event (i) any shares of Wolverine Series A Preferred Stock or Wolverine Series B Preferred Stock sold in the private placement are sold, redeemed or exchanged or any dividend or distribution is made in respect of such shares prior to June 30, 2012, and (ii) the value of the consideration received by a purchaser on account of such events exceeds \$72.72 per share. The amount of the contingent payment, if any, made to Alpine shall be determined by the amount in which the value of the consideration received by the selling purchaser exceeds \$72.72 per share; provided, however, that Alpine shall not be entitled to a contingent payment in excess of \$145.44 per share. Alpine shall receive any contingent payment in the form and type of consideration received by the selling purchaser. Following such sales, Alpine owned 4.6% of Wolverine on a fully diluted as converted basis.

The Company did not receive any dividends from Wolverine during 2009 and received \$0.2 million in dividend payments during the first quarter of 2008, recorded as dividend income. Beginning in the second quarter of 2008, as part of its equity method accounting for Wolverine, Alpine recorded the dividends as a reduction to their investment in Wolverine. As of September 30, 2009, the Company had also accrued \$4.6 million of dividends for which payment had been deferred related to the Company's investment in Wolverine preferred stock (see Note 1); however, since based upon the then current evaluation it was more likely than not that the Company would not receive these funds, the full amount was reserved as of September 30, 2009. As a result of the aforementioned sale of Wolverine Series A and Series B Preferred Stock on December 14, 2009, the purchasers also received Alpine's interest in that portion of the aforesaid deferred dividends related to the preferred stock shares they purchased, or approximately \$4.4 million. Alpine's remaining share of such deferred dividends as of December 31, 2009 was \$1.0 million, all of which has been reserved (see Note 1 – Accounts receivable from affiliates).

The following is a condensed summary of financial data for Wolverine:

	December 31, 2009	December 31, 2008
(in thousands)		
Total assets.....	\$ 176,049	\$ 237,132
Total liabilities	240,173	261,257
Preferred stock	—	23,608
Total capital deficiency.....	<u>\$(64,124)</u>	<u>\$(47,733)</u>
Net loss	<u>\$(35,389)</u>	<u>\$(48,473)</u>

Synergy Cables Ltd.

On February 22, 2006, Alpine and Shrem Fudim Kelner Technologies Ltd., (“SFKT”), an unrelated Israeli company, entered into an agreement (the “Agreement”), whereby Alpine and SFKT agreed to invest \$10 million and \$5 million, respectively, in newly issued common shares of SCL. Concurrently, Alpine and SFKT entered into an agreement which provides for (i) certain restrictions upon sale and disposition of SCL common shares, (ii) rights of first offer and "tag along" rights in regard to certain proposed sales of SCL shares, (iii) mutual support and voting for candidates for election to the SCL board of directors, and (iv) sharing of certain management fees payable by SCL. On February 23, 2006, SCL's principal lender agreed to extend approximately \$11 million in long term indebtedness of SCL and convert \$15 million in SCL indebtedness into a non-interest bearing subordinated loan repayable only upon liquidation of SCL and exchangeable into 15% of SCL share capital. The foregoing agreements were closed on June 26, 2006 and as a result the Company owns approximately 52% of SCL.

On February 27, 2007, SCL announced a public offering of units (“Units”) of its securities consisting of newly issued convertible and non-convertible bonds, warrants to purchase additional non-convertible bonds through three months following the offering date, and warrants to purchase common stock of SCL through March 2011. The Units offering was fully subscribed and consummated on March 18, 2007. Gross proceeds from the Units offering totaled \$44.0 million. Contemporaneously with the Units

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

4. Investment in affiliates (Continued)

offering, SCL announced an \$8.0 million rights offering to its existing common stockholders. The rights offering was fully subscribed and consummated on March 22, 2007. Alpine participated pro rata in the rights offering and purchased 14,668,519 SCL shares for an aggregate purchase price of \$4.0 million. The purchase price was paid by Alpine from proceeds of the repayment of working capital loans previously advanced by it to SCL in the aggregate principal amount of \$3.3 million, with the remainder of the purchase price being funded out of available cash.

As stated in Note 1, SCL is accounted for using the equity method. Alpine recorded \$3.4 and \$12.6 million equity in losses of affiliates during the years ended December 31, 2009 and 2008, respectively. Alpine also recorded \$0.2 and \$2.1 million for its share of SCL's other comprehensive losses during 2009 and 2008, respectively. These losses were primarily related to deferred foreign currency translation adjustments.

5. Discontinued operations

Alpine had an after-tax gain of \$4.0 million resulting from the proceeds it received (net of expenses) related to its share of a 2007 settlement arising from a lawsuit filed by Exeon and other plaintiffs, alleging a conspiracy to increase the prices of copper products during the 1993-1996 timeframe in violation of Section 1 of the Sherman Act. This gain was recorded as income from discontinued operations during 2008, since it was related primarily to Alpine's building wire operations that were discontinued in 2006. The remaining assets and liabilities related to discontinued operations were less than \$1.0 million as of December 31, 2009 and December 31, 2008 and therefore are no longer shown separately in the balance sheet.

6. Revolving Credit Facility

On December 21, 2009 Exeon entered into a Revolving Credit and Security Agreement ("Revolving Credit Facility") with PNC Bank, National Association ("PNC"). The terms of the Revolving Credit Facility provide for a maximum borrowing limit of \$15 million. Borrowing availability is determined by reference to a borrowing base that permits advances to be made at various net valuation rates against various assets of Exeon. Interest is payable monthly in arrears and is based at Exeon's option on LIBOR or bank rates plus, in each instance, a fixed margin. The weighted average interest rate at December 31, 2009 was 5.9%. The Revolving Credit Facility provides for maintenance of financial covenants and ratios relating to minimum fixed charge coverage and quarterly net income and includes restrictions on mergers, acquisitions, sale of assets, capital expenditures, payment of cash dividends and incurrence of indebtedness. Exeon was in compliance with all applicable covenants at December 31, 2009. The Revolving Credit Facility is collateralized by substantially all of Exeon's tangible and intangible assets. At December 31, 2009 Exeon had \$2.0 million of availability. Under provisions of the Revolving Credit Facility Alpine and its wholly owned subsidiary Alpine Holdco Inc. have committed to make additional capital contributions to Exeon under certain circumstances in the maximum amount of \$2.5 million.

Unless previously accelerated as a result of default, the Revolving Credit Facility matures in February 15, 2012. However, in accordance with FASB ASC 470 borrowings under the Revolving Credit Facility have been classified as a current liability.

On December 19, 2006, Exeon entered into a loan agreement with a commercial bank providing for revolving maximum borrowings of up to \$5 million and on December 31, 2007 amended the agreement to increase the maximum borrowing limit to \$8 million. At December 31, 2008 Exeon had \$6.7 million outstanding on this facility. Interest was payable monthly in arrears and was based on a floating bank base rate less 50 basis points. The effective rate as of December 31, 2008 was 3.25%. On June 16, 2009 all indebtedness under the facility was repaid and the agreement was terminated.

At December 31, 2009 Alpine has a credit line account with UBS Bank USA ("UBS"). The credit line is guaranteed by Alpine and collateralized by cash equivalents and other investments on deposit with UBS for the account of Alpine. The outstanding balance under the credit line was \$1.8 and \$2.0 million at December 31, 2009 and December 31, 2008, respectively.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

7. Long-term debt

At December 31, 2009 and 2008, long-term debt consists of the following:

	December 31, 2009	December 31, 2008
	(in thousands)	
6% Junior Subordinated Notes due 2010, net of \$12 discount for December 31, 2008	\$ 222	\$293
Less current portion of long-term debt.....	(222)	71
	\$ 0	\$222

On August 4, 2003, the Company completed an exchange offer whereby holders of its common stock exchanged 3,479,656 shares of such common stock for \$4.3 million principal amount of 6% Junior Subordinated Notes (the "Subordinated Notes") issued by the Company plus a nominal amount of cash in lieu of fractional notes. The Subordinated Notes were initially recorded at an amount equal to the fair value of the common stock exchanged resulting in an initial discount of \$1.4 million. The Company redeemed \$0.1 million of the Subordinated Notes during both 2009 and 2008 in accordance with the terms of the Subordinated Notes.

8. Income taxes

The (provision) benefit for income taxes for the years ended December 31, 2009 and 2008 is comprised of the following:

	Year Ended December 31,	
	2009	2008
	(in thousands)	
Current:		
Federal	\$ 6,848	\$(2,264)
State	(415)	456
Total current from continuing operations	6,433	(1,808)
Deferred:		
Federal	1,270	1,640
State	7	405
Total deferred from continuing operations	1,277	2,045
Income taxes from continuing operations.....	7,710	237
Income taxes from discontinued operations	—	(2,557)
Total income tax benefit (provision)	\$ 7,710	\$(2,320)

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

8. Income taxes (Continued)

The (provision) benefit for income taxes from continuing operations differs from the amount computed by applying a U.S. federal income tax rate of 35% for the years ended December 31, 2009 and 2008, because of the effect of the following items:

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Continuing operations:		
Expected income tax benefit at U.S. federal statutory tax rate.....	\$ 5,430	\$ 8,498
State income taxes, net of U.S. federal income tax benefit	69	177
Equity in (losses) affiliates	(4,591)	(8,966)
Capital loss carry back.....	6,954	—
Change in valuation allowance.....	(39)	(201)
State tax refunds	13	589
State NOL.....	(99)	—
Change in tax rates from prior year	—	100
Other, net	(27)	40
Income tax (provision) benefit from continuing operations.....	<u>\$ 7,710</u>	<u>\$ 237</u>

Items that result in deferred tax assets and liabilities and the related valuation allowance at December 31, 2009 and 2008 are as follows:

	<u>December 31,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Deferred tax assets:		
Accrued expenses	\$ 1,790	\$ 569
Compensation expense related to unexercised stock options and stock grants	2,907	2,861
Net operating loss carryforwards	5,670	1,896
Other	488	783
Total deferred tax assets.....	10,855	6,109
Less valuation allowance	(6,540)	(2,991)
Net deferred tax assets	<u>4,315</u>	<u>3,118</u>
Deferred tax liabilities:		
Inventory	8,610	8,555
Total deferred tax liabilities	<u>8,610</u>	<u>8,555</u>
Net deferred tax liability	4,295	5,437
Net long-term deferred tax assets	2,576	2,595
Net current deferred tax liability.....	<u>\$ 6,871</u>	<u>\$ 8,032</u>

At December 31, 2009, Alpine had state net operating loss carryforwards (“NOL’s”) in the amount of \$5.5 million (before federal tax effect) that can be used to offset future taxable income. The net operating loss carryforwards expire beginning in 2010 and through 2029. Based on the number of states in which it currently maintains business operations requiring the payment of state income taxes, it is unlikely that Alpine will realize all of its state net operating loss carryforwards. Accordingly, Alpine has determined that, pursuant to the provisions of FASB ASC 740, a deferred tax valuation allowance in the amount of \$4.7 million is required on those deferred tax assets. During 2009 \$0.4 million of state NOL’s expired unused and during 2008 no state NOL’s expired unused.

At December 31, 2009, Alpine also had a \$1.8 million valuation allowance to reduce the carrying amount of the deferred tax asset related to stock grants issued prior to July 1, 2000 to the extent the value has decreased and is not expected to be recovered for tax purposes.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

8. Income taxes (Continued)

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is subject to examination in the U.S. federal tax jurisdiction and various states for the 2004-2008 tax years. As of December 31, 2009 the Company was under audit by the U.S. Internal Revenue Service (“IRS”) for tax periods 2005 through 2007 and the state of Illinois for the tax periods 2002 through 2005. Included in the Company’s deferred tax liability is \$6.5 million, the deferral of which is the primary focus of the IRS audit.

The Company recognizes penalties and interest related to income tax matters in selling, general and administrative expense and interest expense, respectively. The Company did not have any amounts accrued for interest and penalties at December 31, 2009.

9. Preferred stock

Alpine has authorized 500,000 shares of preferred stock with a par value of \$1.00 per share. The preferred stock may be issued at the discretion of the board of directors in one or more series with differing terms, limitations and rights.

At December 31, 2009, there were 4,123 shares of Alpine Series A Cumulative Convertible Stock (the “Series A Preferred Stock”) outstanding. Holders of the Series A Preferred Stock are entitled to receive, when, as and if declared by the board of directors out of funds legally available for payment, cash dividends at an annual rate of \$30.40 per share until converted or redeemed by the Company. The Series A Preferred Stock originally was convertible into Common Stock, at the option of the holder, at the rate of 691 shares of Common Stock per share of Series A Preferred. As a result of a special dividend declared by the Company during 2004 the conversion rate increased to 743.01. Effective December 21, 2009, the Series A Preferred Stock was subject to mandatory redemption, as described below, and thereafter its convertibility feature expired. The Company redeemed 230 shares of the Series A Preferred Stock in December 2009 according to such terms.

The Series A Preferred Stock is subject to mandatory redemption by the Company on the last day of each quarter during the three-year period commencing on December 31, 2009 at the liquidation value of \$380 per share, plus accrued and unpaid dividends. Additionally, if the Company experiences a change in control it is required, subject to certain limitations, to offer to redeem the Series A Preferred Stock at a cash price of \$380 per share plus accrued and unpaid dividends.

There were 7,818 and 44 shares of Series A Preferred Stock converted into 5,808,847 and 32,692 shares of Common Stock during 2009 and 2008, respectively. Below is a table detailing the schedule for the mandatory redemption of the outstanding and unconverted Series A Preferred Stock:

Series A Preferred Stock - Mandatory Redemption Schedule				
	Shares to be redeemed	Remaining share balance	Remaining balance (000's)	Scheduled redemption payments (000's)
12/31/2009		4,123	\$ 1,567	
3/31/2010	494	3,629	\$ 1,379	\$ 188
6/30/2010	362	3,267	\$ 1,241	\$ 138
9/30/2010	363	2,904	\$ 1,104	\$ 138
12/31/2010	363	2,541	\$ 966	\$ 138
3/31/2011	363	2,178	\$ 828	\$ 138
6/30/2011	363	1,815	\$ 690	\$ 138
9/30/2011	363	1,452	\$ 552	\$ 138
12/31/2011	363	1,089	\$ 414	\$ 138
3/31/2012	363	726	\$ 276	\$ 138
6/30/2012	363	363	\$ 138	\$ 138
9/30/2012	363	—	\$ —	\$ 138

Dividends related to the Series A Preferred Stock have been paid on a quarterly basis since issuance.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

9. Preferred stock

At December 31, 2009, 177 shares of 9% Cumulative Convertible Preferred Stock (“9% Preferred Stock”) were outstanding. Each Share of the 9% Preferred Stock is convertible into 105 1/2 shares of Common Stock, subject to customary adjustments. Alpine may redeem the stock at any time, in whole or in part at a price equal to the liquidation value per share of \$1,000. The 9% Preferred Stock is senior to the Series A Preferred Stock.

10. Earnings (loss) per share

The computation of basic and diluted earnings (loss) per share for the years ended December 31, 2009 and 2008, is as follows:

	Year Ended December 31,					
	2009			2008		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
	(in thousands, except per share amounts)					
<u>Basic and diluted earnings (loss) per share</u>						
Loss from continuing operations	\$ (7,804)	11,841	\$ (0.66)	\$(24,043)	11,444	\$ (2.11)
Adjustments:						
Preferred stock dividends ...	(381)	11,841	(0.03)	(387)	11,444	(0.03)
Loss attributable to common stock from continuing operations	\$ (8,185)	11,841	\$ (0.69)	(24,430)	11,444	(2.14)
Income from discontinued operations	—	11,841	—	3,835	11,444	0.34
Net loss applicable to common stock.....	\$ (8,185)	11,841	\$ (0.69)	\$(20,595)	11,444	\$ (1.80)

The earnings per share calculations for the year ended December 31, 2009 exclude the exercise of certain stock options (2.1 million), vesting of restricted stock grants (0.2 million) and conversion of all preferred stock (12,021 average preferred shares into 8.8 million average common shares) because the effect would be antidilutive.

The earnings per share calculations for the year ended December 31, 2008 exclude the exercise of certain stock options (1.9 million), vesting of restricted stock grants (0.2 million) and conversion of all preferred stock (12,171 preferred shares into 9.0 million average common shares) because the effect would be antidilutive.

11. Stock based compensation plans

Alpine formerly had an employee stock option incentive plan known as the 1997 Stock Option Plan (the “1997 Plan”), however, as of April 9, 2007, the tenth anniversary of the effective date of the 1997 Plan, no further grants or other awards may be issued under such plan. All rights under options granted prior to April 9, 2007 extend beyond such date subject to and in accordance with the terms of the 1997 Plan. The options granted under the 1997 Plan vest in equal annual installments over the three year period commencing on the first anniversary date of the grant or, if earlier, upon the occurrence of a change in control of the Company and options cannot be exercised after 10 years from the date of grant.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

11. Stock based compensation plans (Continued)

On May 14, 2008, the Executive Compensation Committee of the Board of Directors (the "Compensation Committee") granted a total of 199,205 non-qualified options to four key executives of the Company. The options vest in equal annual installments over the four year period commencing on the first anniversary date of grant or, if earlier, upon occurrence of a change in control of the Company and cannot be exercised after ten years from the date of grant. The exercise price of all such options was set at the market price of the Common Stock on the date of grant. All shares of Common Stock issuable upon exercise of any of the said non-qualified options will be issued from the Company's treasury shares.

The Company adopted the Stock Compensation Plan for Non-Employee Directors (the "Director Plan") in January 1999. Under the Director Plan, each non-employee director of the Company automatically receives 50% of the annual retainer in either restricted common stock or non-qualified stock options, as elected by the director. In addition, until 2009, each non-employee director could also elect to receive all or a portion of the remaining amount of his annual retainer and any meeting fees in the form of restricted stock or stock options in lieu of cash payment. Commencing in 2009, 50% of the total annual non-employee director compensation automatically will be paid in cash and only the remaining 50% will be in the form of restricted stock and/or stock options as selected by each non-employee director. During 2009, 482,721 non-qualified stock options were granted to non-employee directors. During 2008, 74,255 non-qualified stock options and 9,672 shares of restricted stock were granted to non-employee directors. All options and restricted stock granted during 2009 and 2008 were issued at the fair market value of the Common Stock at the date of the grant. Each stock option granted under the Director Plan expires on the tenth anniversary of the date of the grant. Awards of restricted stock and stock options under the Director Plan vest upon the earliest of the following to occur: (i) the third anniversary of the date of the grant; (ii) a non-employee director's death; and (iii) a change of control of the Company. Any shares issued pursuant to the Director Plan will be issued from the Company's treasury stock. During 2009, the Director Plan had 7,865 options expire.

Alpine sponsors a 1984 Restricted Stock Plan under which a maximum of 600,000 shares of Common Stock have been reserved for issuance. At December 31, 2009 and 2008, there were 45,064 shares available for issuance. During the years ended December 31, 2009 and 2008, the Compensation Committee granted no new shares under this plan. Shares of restricted Common Stock granted under this Plan vest in equal installments over a three year period commencing with the first anniversary of grant.

Alpine sponsors The Alpine Group, Inc. Deferred Stock Account Plan, an unfunded deferred stock compensation plan whereby certain key management employee participants are permitted to (i) defer the receipt of all, or a portion, of their non-cash salary or bonus, as defined by the plan and (ii) reinvest deemed cash dividends allocable to Common Stock credited to a participant's account under the plan into additional deferred Common Stock. The plan also provides for Company matching contributions of Common Stock of either 25% or 50%, depending upon period of deferral, applied to shares of Common Stock deferred therein. The compensation cost associated with the Company matching contributions is amortized over the period of the deferral in respect of which it may be earned. Shares deferred into the Deferred Stock Account Plan are held in irrevocable grantor trusts. At December 31, 2009, 2,483,809 shares of Common Stock have been deferred and are included in the grantor trusts. These shares and the corresponding liability are classified as components of treasury stock and additional paid-in capital, respectively, in the consolidated balance sheets. The total unamortized deferred compensation was \$0.1 million and \$0.2 million as of December 31, 2009 and 2008, respectively. During 2009 no new deferrals were granted, 112,565 shares vested and no previously vested shares were certificated and distributed. During 2008 no new deferrals were granted, 383,826 shares vested and 20,667 previously vested shares were certificated and distributed.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

11. Stock based compensation plans (Continued)

The following table summarizes restricted stock activity for the twelve month periods ended December 31, 2009 and 2008:

	Deferred Stock Account Plan		Non-Employee Directors Plan	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested balance at December 31, 2007.....	73,129	\$3.40	17,586	\$2.42
Granted	—		9,672	\$2.46
Vested	(36,564)	\$3.40	(6,353)	\$2.05
Forfeited	—		—	—
Nonvested balance at December 31, 2008.....	36,565	\$3.40	20,905	\$2.55
Granted	—		—	
Vested	(36,565)	\$3.40	(4,368)	\$2.86
Forfeited	—		—	
Nonvested balance at December 31, 2009.....	—		16,537	\$2.47
Unrecognized Compensation Costs	\$ 0		\$10,195	
Weighted Average Period Remaining	0.0	Years	1.3	Years

Excluded from the table above are 107,494 and 183,494 shares as of December 31, 2009 and 2008, respectively, that represent future Company matching contributions being earned on account of shares deferred by participants in the Deferred Stock Account Plan. Under the plan, the number of matching shares contributed by the Company varies based upon the length of the deferral period(s) selected by plan participants and the contribution is earned upon expiration of the related deferral period(s). The amortization of the cost associated with matching contribution shares is, and has been, included in the compensation expense of the Company, all of which is included in selling, general and administrative expense. There was approximately \$0.1 million of unamortized compensation expense related to such matching contribution shares as of December 31, 2009 that is expected to be recognized over a weighted average period of 1.3 years.

The following table summarizes stock option activity for the twelve month periods ended December 31, 2009 and 2008.

	Shares Outstanding	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	1,595,718	\$ 1.86	7.08	\$1,453,709
Exercised	—	—		
Canceled	(10,467)	\$ 3.01		
Granted	273,460	\$ 2.24		
Outstanding at December 31, 2008	1,858,711	\$ 1.91	6.56	\$ 49,348
Exercised	—	—		
Canceled	(7,865)	\$13.47		
Granted	482,721	\$ 0.36		
Outstanding at December 31, 2009	2,333,567	\$ 1.55	6.39	\$ 106,866
Options exercisable at December 31, 2009	1,291,489	\$ 1.57	4.59	\$ 1,346

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

11. Stock based compensation plans (Continued)

The weighted average grant-date fair value of options granted for the twelve month periods ended December 31, 2009 and 2008 was \$0.36 and \$1.86, respectively. There were no options exercised during 2009 or 2008.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at December 31, 2008 is as follows:

Range Of <u>Exercise Prices</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Number Of Options Outstanding</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Number Of Options Exercisable</u>	<u>Weighted Average Exercise Price</u>
\$0.28-\$0.65	608,532	7.65	\$ 0.3914	180,040	\$ 0.6001
\$0.76	333,851	3.47	\$ 0.7600	333,851	\$ 0.7600
\$0.80-\$2.90	1,342,926	6.64	\$ 2.1509	729,340	\$ 1.9631
\$3.10-\$9.81	45,384	3.73	\$ 4.3109	45,384	\$ 4.3109
\$12.00-\$12.88	2,874	0.06	\$12.6619	2,874	\$12.6619
	<u>2,333,567</u>	6.39	\$ 1.5480	<u>1,291,489</u>	\$ 1.5684

The Company accounts for stock options using the provisions of ASC 718, "Compensation-Stock Compensation" which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors based on estimated fair values. Total compensation expense related to all stock-based compensation plans (including restricted stock) for the twelve months ended December 31, 2009 and 2008, was \$0.2 and \$0.7 million, respectively.

The fair value of each option award was calculated on the date of grant using the Black-Scholes option pricing model. This model requires the input of subjective assumptions that may have a significant impact on the fair value estimate. Expected volatility was based on historical volatility of the Company's stock, and other factors. Expected dividends were based on historical dividend practices and no immediate plans to pay a dividend in respect of the Common Stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option were based on average U.S. Treasury rates in effect at the end of each quarter. The following assumptions were used for each respective period:

	<u>Twelve months ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Risk free interest rate	1.15% - 1.70%	1.00% - 2.91%
Expected life	3.0	3.0
Expected volatility	67% - 74%	61% - 66%
Expected dividend yield	0%	0%

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

12. Employee benefits

In conjunction with the sale of its then subsidiary DNE Systems, Inc in 2004, the Company entered into an agreement with a certain former employee that entitles the former employee to a benefit accrued under the former supplemental executive retirement plan (“SERP”), payable at normal retirement age (65). The employee does not accrue any additional benefits, except for interest, under the SERP and the Company has the right to pay the actuarial equivalent lump sum value of the SERP to the former employee at its election with 30 days prior notice to the employee. The Company has recorded the present value of the SERP liability of \$0.5 million as another long-term liability as of December 31, 2009 and 2008.

Prior to 2002, Alpine sponsored an unfunded SERP. During 2001, the Company terminated or froze SERP benefits for certain employees resulting in a curtailment loss of \$2.5 million and a settlement loss of \$2.5 million. The benefits were paid out in 2002 or deposited in rabbi trust accounts, effectively terminating Alpine’s SERP. The amounts remaining in the rabbi trust accounts, all of which are related to two current employees and included in other current assets as of December 31, 2009 and 2008, were \$0.8 and \$0.7 million, respectively. There is an equal and offsetting liability included in accrued expenses as of December 31, 2009 and 2008.

The Company currently does not provide for any postretirement health care benefits.

Following the acquisition of Exeon in December 2002, Exeon established a defined contribution plan covering substantially all employees of Exeon and Alpine. The plan provides for limited matching of employee contributions. Posterloid has a separate defined contribution plan which provides for limited matching of employee contributions. Company contributions to both these plans for the years ended December 31, 2009 and 2008 were approximately \$0.1 and \$0.2, respectively.

In December 2005, the Compensation Committee approved the adoption of The Alpine Group, Inc. Deferred Cash Account Plan (the “Plan”), which provides senior executives of the Company and its subsidiaries designated by the Compensation Committee with the opportunity to defer receipt of and taxation upon all or a portion of such executives’ cash compensation for a range of deferral or redeferral periods elected by each executive as set out in the Plan. Amounts deferred under the Plan remain assets of the Company subject to claims of its creditors and any investment gains or losses upon such deferred amounts are exclusively for the respective accounts of participating executives. There are no provisions in the Plan for any Company match or contribution to the Plan. As of December 31, 2009 and 2008 there were no amounts contributed to such plan.

13. Derivative financial instruments and fair value information

The Company to a certain extent uses forward fixed price contracts and derivative financial instruments to manage commodity price risks. The Company is exposed to credit risk in the event of nonperformance by counterparties for metal forward price contracts, and metals futures contracts but the Company does not anticipate nonperformance by any of these counterparties. The Company is required by its brokers to make initial margin deposits based upon the net positions outstanding on a daily basis. In addition, the Company generally sends or receives cash to / from the brokers daily based upon the variation in copper prices and the Company’s net position at the time to cover the variation margin on account. The net amount on deposit at the brokers was \$0.6 and \$11.3 million as of December 31, 2009 and 2008, respectively, and is included in Restricted cash. In the case of Wolverine, the Supply Agreement between Exeon and Wolverine (see Note 15) provides for the parties to pay or refund margin obligations to the extent that Exeon pays or is refunded such obligations to / from its broker. As of December 31, 2008 Wolverine had paid \$9.5 million in margin obligations and this is included in Cash deposit from affiliate. As of December 31, 2009 Wolverine had no such margin obligations. The amount of such exposure is generally limited to the unrealized gains (losses) within the underlying contracts. At December 31, 2009, since the fair market value of copper exceeded the weighted average value of the long positions, no deposit was required from Wolverine. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

In March 2008, the FASB announced it would require enhanced disclosures about an entity’s derivative and hedging activities, thereby improving the transparency of financial reporting. Entities are required to provide enhanced disclosures about (a) how and why an entity used derivative instruments, (b) how derivative instruments and related hedged items are accounted for under ASC 815, *Derivatives and Hedging*, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows per the guidance found in ASC 815. On January 1, 2009, the Company adopted these new provisions and has incorporated them into the following disclosures.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

13. Derivative financial instruments and fair value information (Continued)

Commodity price risk management

Copper

All products sold to Wolverine under the Supply agreement (see Note 15) are copper products that are priced based, for the most part, upon either a firm price committed to in advance by Wolverine or based upon the current month average COMEX price for copper. To hedge the firm price commitments the Company enters into fixed price commitments with a commodity broker in order to fix the price agreed to with Wolverine. There were 6.2 and 11.0 million copper pounds committed under such arrangement as of December 31, 2009 and 2008, respectively. For the copper priced on the current month average, the Company uses a hedging strategy where it purchases from vendors based upon the current month average where possible, and for the remaining purchases uses derivative instruments in conjunction with vendor spot purchases to achieve the monthly average copper price. There were 5.0 and 8.9 million copper pounds hedged under this arrangement as of December 31, 2009 and 2008, respectively, which served to hedge the related outstanding inventory as of those dates.

For the Company's scrap reclamation business, most of the products are copper-based and the Company attempts to match its copper purchases and sales with the spot COMEX price used in pricing the purchase or sale with the vendor or customer, respectively. There were 1.8 and 5.3 million net copper pounds that were hedged under this arrangement as of December 31, 2009 and 2008, respectively, which served to hedge the outstanding inventory as of those dates.

The Company also treats as derivative instruments purchases from vendors or sales to customers for which there is a firm copper price established. There were 1.2 and 0.2 million net short copper pounds related to such commitments as of December 31, 2009 and 2008, respectively.

Since none of the Company's derivatives are designated as hedging instruments under ASC 815 "Derivative and Hedging", the changes in fair value of these hedges are recognized immediately in cost of goods sold. Such amounts were a \$0.9 million loss and \$0.2 million gain for the years ended December 31, 2009 and 2008 respectively.

The fair value of the Company's derivative instruments as of December 31, 2009 and 2008 were as follows:

	December 31, 2009			
	Asset		Liability	
	Net Position*	Derivatives Fair Value	Net Position*	Derivatives Fair Value
Derivatives not designated as hedging instruments				
Commodity Contracts				
Copper – Broker	6.2 L	\$ 1.7	6.8 S	\$ (1.1)
Copper – Affiliate		—	6.2 S	(1.7)
Copper – Vendor / customer	1.2 L	0.2		—
Total		<u>\$ 1.9</u>		<u>\$(2.8)</u>
	December 31, 2008			
	Asset		Liability	
	Net Position*	Derivatives Fair Value	Net Position*	Derivatives Fair Value
Derivatives not designated as hedging instruments				
Commodity Contracts				
Copper – Broker	14.2 S	\$ 0.5	11.0 L	\$ (10.6)
Copper – Affiliate	11.0 S	10.5		—
Copper – Vendor / customer	0.2S	0.2	0.2 L	(0.1)
Total		<u>\$ 11.1</u>		<u>\$(2.8)</u>

* in millions of copper pounds. L = Long S = Short

The net short positions above of 5.6 and 14.2 million copper pounds as of December 31, 2009 and 2008, respectively, were to economically hedge a like amount of physical copper inventory.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

13. Derivative financial instruments and fair value information (Continued)

In addition to the recorded derivatives above, the Company has elected to account for certain of its silver purchase and sales commitments as normal purchases and sales, which therefore are not recorded until the time of purchase and sale. As of December 31, 2009, the company had firm silver price purchase commitments of \$0.5 million and a like amount of firm silver priced sales commitments. There were no such commitments at December 31, 2008.

14. Commitments and contingencies

Total rent expense under cancelable and noncancelable operating leases was \$0.8 million and \$1.3 million during the years ended December 31, 2009 and 2008, respectively, of which approximately \$0.5 million in 2008 related to discontinued operations.

At December 31, 2009, future minimum lease payments under noncancelable operating leases are as follows:

<u>Year</u>	<u>(in thousands)</u>
2010	\$ 650
2011	528
2012	204
2013	204
2014	85
Thereafter	—
Total	<u><u>\$1,671</u></u>

The Company is subject to lawsuits incidental to its business. In the opinion of management, based on its examination of such matters and discussions with counsel, the ultimate resolution of all pending or threatened litigation, claims and assessments will have no material effect upon Alpine's consolidated financial position, liquidity or results of operations.

Alpine's operations are subject to environmental laws and regulations in each of the jurisdictions in which it owns or operates facilities or as to certain former operations, for which it has assumed liabilities, governing, among other things, emissions into the air, discharges to water, the use, handling and disposal of hazardous substances and the investigation and remediations of soil and groundwater contamination both on-site at past and current facilities and at off-site disposal locations. Alpine, as to two sites, is currently involved in environmental investigations and in certain remedial activities being required under the oversight of a state regulatory agency. Additionally, Exeon, as to one site, may be required to undertake certain environmental investigation which may result in remedial activities being required under the oversight of a state regulatory agency. Alpine currently does not believe that any of the environmental matters for which it may be liable will have a material adverse effect upon its business, financial condition, liquidity or results of operations.

Compensation of Directors

The Company pays an annual retainer to each of its directors who are not employees of the Company or otherwise compensated by the Company equal to \$35,000, together with their expenses for attendance at meetings of the Board of Directors. Under The Alpine Group, Inc. Stock Compensation Plan for Non-Employee Directors (the "Stock Compensation Plan") (see Note 11) and prior to 2009, non-employee directors of the Company automatically received 50% of the annual retainer in either restricted stock or stock options, as elected by the non-employee director. In addition, each non-employee director could elect to receive the remaining amount of the annual retainer, in the form of restricted stock and/or stock options and/or cash payment. Commencing in 2009, 50% of the total annual non-employee director compensation automatically will be paid in cash and the remaining 50% will be in the form of restricted stock and/or stock options as selected by each non-employee director. The Stock Compensation Plan is administered and interpreted by the Board of Directors.

The lead director is entitled to receive an additional \$5,000 per annum in recognition of the additional responsibilities. Furthermore, the Chairman of the Audit Committee and the Chairman of the Executive Compensation and Organization Committee receive additional \$10,000 and \$5,000 retainers, respectively, in recognition of the additional services and responsibilities of such Chairs.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

15. Related party transactions

In August 2006 Exeon and SCL entered into a supply agreement pursuant to which Exeon could elect to purchase copper rod for resale to SCL for use in SCL's manufacturing operations. SCL did not purchase any product from Exeon during 2008 or 2009.

On December 21, 2009, Exeon entered into a toll manufacturing agreement ("Toll Agreement") with Wolverine Joining Technologies "WJT", a wholly-owned subsidiary of Wolverine. WJT currently also provides toll manufacturing services to other customers. Under the Toll Agreement, which became effective on November 30, 2009, Exeon provides raw materials (principally metals, including silver, copper, tin and zinc) to WJT which WJT uses to manufacture products for Exeon's sale to customers. WJT will act as sales agent for Exeon and will market and sell Exeon's finished goods. In addition, WJT will provide certain related administrative services. In consideration of the foregoing, Exeon will pay WJT a monthly toll service fee of \$4.45 per pound for products shipped. The toll services fee will be adjusted periodically, if necessary. The Toll Agreement provides for an initial term of three years, which is automatically renewed for successive twelve month periods, unless either party, upon ninety days prior notice, terminates the agreement. Additionally, either party may terminate the Toll Agreement upon thirty days notice. The Toll Agreement also contains other terms and conditions customary for agreements of this type including: confidentiality requirements, limited warranties, and indemnifications between the parties.

In December 2007 Exeon and Wolverine entered into a supply agreement (the "Supply Agreement") pursuant to which Exeon agreed to supply Wolverine and Wolverine agreed to purchase from Exeon its copper scrap and cathode requirements for its North American melting operations. The agreement expired in December 2009 and since then both parties have continued the Supply Agreement arrangement on a month to month basis. During 2009 Wolverine purchased approximately \$110 million of copper from Exeon under the agreement. The gross margin impact on Exeon of this agreement was a positive \$0.5 million for both 2009 and 2008.

A former officer and current director of the Company receives an annual annuity of \$18,900 in accordance with a former employment agreement with the Company. The annuity is a 15 year annuity which commenced in 2000. The outstanding balance due as of December 31, 2009 was approximately \$91,000.

A former officer and current director of the Company receives an annual annuity of \$34,700 and a monthly annuity of \$7,378 in accordance with former employment agreements with the Company. The terms of the annuities are each 15 years and commenced in 2001 and 2002, respectively. The outstanding balances due as of December 31, 2009 were approximately \$190,000 and \$508,000, respectively.

At December 31, 2009 and 2008, Alpine has outstanding loans to certain officers totaling \$69,000 and \$138,000, respectively, relating to the tax implications associated with the exercise in prior years of stock options and restricted stock grants. The unpaid balance, which is added to accumulated deficit, bears interest at prime plus 0.5%. Such loans are being forgiven by the Company over a 10 year period which commenced January 1, 2001 and approximately \$70,000 per year is being amortized as loan forgiveness, which is included in selling, general and administrative expense.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009 and 2008

16. Quarterly financial information (unaudited)

The Company's quarterly results of operations for the year ended December 31, 2009 and 2008 are as follows:

	2009				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales	\$ 6,715	\$ 6,901	\$ 10,978	\$ 12,083	\$ 36,677
Gross profit	933	1,075	1,292	(490)	2,810
Hedge mark-to-market, lower of cost or market and LIFO adjustments, net – gain/(loss) (a)	30	159	(89)	(1,753)	(1,654)
Equity in loss of affiliates	—	(1,272)	(1,403)	(10,443)	(13,118)
Net loss.....	(369)	(1,641)	(1,383)	(4,411)	(7,804)
Net loss per share of common stock – basic and fully diluted (b)	(0.04)	(0.15)	(0.13)	(0.36)	(0.69)
	2008				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales	\$ 15,369	\$ 15,056	\$ 15,071	\$ 6,499	\$ 51,995
Gross profit	446	2,451	4,067	1,263	8,227
Hedge mark-to-market, lower cost or market and LIFO adjustments, net – gain/(loss) (a) ...	(1,895)	9	2,443	(170)	387
Equity in loss of affiliates	(265)	(4,535)	(8,623)	(12,195)	(25,618)
Loss from continuing operations.....	(736)	(4,122)	(7,168)	(12,017)	(24,043)
Income (loss) from discontinued operations	(153)	3,993	(19)	14	3,835
Net loss.....	(889)	(129)	(7,187)	(12,003)	(20,208)
Net income (loss) per share of common stock – basic and fully diluted (b)					
From continuing operations, net of preferred dividends.....	(0.08)	(0.37)	(0.64)	(1.04)	(2.14)
From discontinued operations	(0.01)	0.35	0.0	0.0	0.34
Net loss	(0.09)	(0.02)	(0.64)	(1.04)	(1.80)

- (a) Amounts represent non-cash adjustments included in gross profit, loss from continuing operations and net loss amounts for the respective periods shown here.
- (b) Earnings per share for the quarters are computed independently and the sum thereof may not equal the earnings per share computed for the total year.

17. Subsequent event

On February 17, 2010, Alpine and another unrelated investor organized ZephRa Energy LLC (“ZephRa”) as a newly created Delaware limited liability company. ZephRa is a start-up venture focused initially upon the North American renewable energy services market, including engineering, procurement and construction services for wind farm and solar energy projects. Alpine and its co-investor own ZephRa on a 50% / 50% basis. As of March 2010, Alpine had committed \$400,000 in respect of its investment in ZephRa.

Management has performed an analysis of the activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2009. Management has performed their analysis through April 30, 2010, the date of the financial statements were available to be issued. No additional adjustments and/or disclosures were deemed necessary.