

**The Alpine Group, Inc.**  
**Unaudited Financial Statements**  
**For the Quarterly Period Ended June 30, 2009**

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

<b>ASSETS</b>	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Current assets:		
Cash and cash equivalents .....	\$ 10,106	\$ 1,942
Amount due from redemption of investment (Note 1) .....	—	925
Marketable securities, at fair value (Note 1).....	4,694	2,510
Restricted cash (Note 1).....	—	300
Other investments .....	51	51
Accounts receivable, trade (Note 1) .....	2,620	1,761
Accounts receivable from affiliates (Note 1).....	3,661	2,517
Inventories, net (Note 2).....	3,735	24,073
Prepaid expenses, deposits and other current assets .....	3,032	3,751
Total current assets.....	27,899	37,830
Property, plant and equipment, net .....	594	665
Investment in affiliates (Note 3) .....	2,327	3,589
Deferred income taxes .....	2,595	2,595
Goodwill .....	1,033	1,033
Other assets .....	1,343	1,192
Total assets.....	\$ 35,791	\$ 46,904
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving credit facility (Note 4).....	\$ —	\$ 6,658
Other short term borrowings (Note 4) .....	1,800	2,048
Current portion of long-term debt.....	63	71
Accounts payable.....	4,740	3,737
Accrued expenses .....	4,131	4,821
Deferred income taxes and income taxes payable .....	7,304	9,983
Total current liabilities .....	18,038	27,318
Long-term debt, less current portion .....	197	222
Other long-term liabilities .....	1,373	1,388
Mandatorily redeemable series A convertible preferred stock (12,159 and 12,171 shares outstanding at June 30, 2009 and December 31, 2008, respectively) (Note 5).....	4,581	4,585
Commitments and contingencies		
Stockholders' equity:		
9% cumulative convertible preferred stock at liquidation value.....	177	177
Common stock, \$.10 par value; (50,000,000 shares authorized; 26,794,476 and 26,785,560 shares issued at June 30, 2009 and December 31, 2008, respectively) .....	2,679	2,678
Capital in excess of par value .....	172,065	171,675
Accumulated other comprehensive loss.....	(14,304)	(14,321)
Accumulated deficit.....	(32,377)	(30,175)
Treasury stock, at cost (17,662,720 and 17,556,055 shares at June 30, 2009 and December 31, 2008, respectively).....	(116,534)	(116,505)
Receivable from stockholders.....	(104)	(138)
Total stockholders' equity .....	11,602	13,391
Total liabilities and stockholders' equity .....	\$ 35,791	\$ 46,904

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

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

	Three Months Ended	
	June 30,	
	2009	2008
Net sales (Note 1).....	\$ 6,901	\$ 15,056
Cost of goods sold (Note 2).....	5,826	12,605
Gross profit.....	1,075	2,451
Selling, general and administrative expenses.....	1,649	1,875
Operating income (loss).....	(574)	576
Interest expense.....	(50)	(82)
Dividend and interest income.....	19	167
Realized gains on sales of securities.....	(5)	—
Other income (expense), net.....	(4)	5
Income (loss) before income taxes, equity in earnings of affiliate and discontinued operations.....	(614)	666
Income tax benefit (provision).....	245	(253)
Income (loss) before equity in earnings of affiliate and discontinued operations.....	(369)	413
Equity in loss of affiliates (Note 3).....	(1,272)	(4,535)
Loss from continuing operations.....	(1,641)	(4,122)
Discontinued operations:		
Income from discontinued operations before income taxes.....	—	6,656
Income tax provision.....	—	(2,663)
Income from discontinued operations.....	—	3,993
Net loss.....	(1,641)	(129)
Preferred stock dividends.....	(96)	(97)
Net loss applicable to common stock.....	\$(1,737)	\$ (226)
Net income (loss) per share of common stock (Note 6):		
Basic and diluted		
Loss from continuing operations applicable to common stock.....	\$ (0.15)	\$ (0.37)
Income from discontinued operations, net of tax.....	—	0.35
Net loss per share.....	\$ (0.15)	\$ (0.02)
Weighted average shares outstanding:		
Basic and diluted.....	11,637	11,338

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

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>
Net sales (Note 1).....	\$ 13,616	\$ 30,425
Cost of goods sold (Note 2).....	11,608	27,529
Gross profit.....	2,008	2,896
Selling, general and administrative expenses.....	3,180	3,703
Operating loss.....	(1,172)	(807)
Interest expense.....	(106)	(198)
Dividend and interest income.....	40	490
Realized gains on sales of securities.....	13	84
Other income (expense), net.....	(4)	317
Loss before income taxes, equity in earnings of affiliates and discontinued operations.....	(1,229)	(114)
Income tax benefit.....	491	56
Loss before equity in earnings of affiliates and discontinued operations.....	(738)	(58)
Equity in loss of affiliates (Note 3).....	(1,272)	(4,800)
Loss from continuing operations.....	(2,010)	(4,858)
Discontinued operations:		
Income from discontinued operations before income taxes.....	—	6,400
Income tax provision.....	—	(2,560)
Income from discontinued operations.....	—	3,840
Net loss.....	(2,010)	(1,018)
Preferred stock dividends.....	(192)	(194)
Net loss applicable to common stock.....	\$ (2,202)	\$ (1,212)
Net income (loss) per share of common stock (Note 6):		
Basic and diluted:		
Loss from continuing operations applicable to common stock.....	\$ (0.19)	\$ (0.45)
Income from discontinued operations, net of tax.....	—	0.34
Net loss per share.....	\$ (0.19)	\$ (0.11)
Weighted average shares outstanding:		
Basic and diluted.....	11,630	11,331

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**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
(in thousands, except share data)  
(unaudited)

	Six Months Ended June 30, 2009	
	Shares	Amount
9% cumulative convertible preferred stock:		
Balance at beginning of period .....	177	\$177
Balance at end of period .....	177	177
Common stock:		
Balance at beginning of period .....	26,785,560	2,678
Shares issued pursuant to Series A Preferred Stock conversion .....	8,916	1
Balance at end of period .....	26,794,476	2,679
Capital in excess of par value:		
Balance at beginning of period .....		\$ 171,675
Compensation expense related to restricted stock and certain stock options, less vested shares released from Treasury .....		386
Shares issued pursuant to Series A Preferred Stock conversion .....		4
Balance at end of period .....		172,065
Accumulated other comprehensive income (loss):		
Balance at beginning of period .....		(14,321)
Change in unrealized gains (losses) on securities, (net of tax) .....		10
Change in share of other comprehensive income (loss) of affiliates .....		7
Balance at end of period .....		(14,304)
Accumulated deficit:		
Balance at beginning of period .....		(30,175)
Net loss .....		(2,010)
Dividends on preferred stock .....		(192)
Balance at end of period .....		(32,377)
Treasury stock:		
Balance at beginning of period .....	(17,556,055)	(116,505)
Share purchases .....	(108,800)	(35)
Stock options and grants .....	2,135	6
Balance at end of period .....	(17,662,720)	(116,534)
Receivable from stockholders:		
Balance at beginning of period .....		(138)
Forgiveness of officer loans .....		34
Balance at end of period .....		(104)
Total stockholders' equity .....		\$ 11,602
Comprehensive loss .....		\$ (1,993)

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

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

	Six Months Ended	
	June 30,	
	2009	2008
Cash flows from operating activities:		
Net loss .....	\$ (2,010)	\$ (1,018)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization .....	101	92
Compensation expense related to stock options and grants .....	427	500
Equity in loss of affiliates .....	1,272	4,800
Realized gains on investment securities .....	(13)	(61)
Other .....	(1)	(5)
Changes in assets and liabilities:		
Accounts receivable, net .....	(859)	(1,090)
Accounts receivable from affiliates .....	(1,144)	(5,881)
Inventories, net .....	20,338	22,076
Other current and non-current assets .....	548	2,219
Accounts payable and accrued expenses .....	(2,378)	(143)
Other, net .....	(12)	(27)
Cash flows provided by operating activities .....	16,269	21,462
Cash flows from investing activities:		
Capital expenditures .....	(6)	(45)
Purchase of marketable securities .....	(3,046)	(6,268)
Decrease in restricted cash .....	300	—
Proceeds from sale of investments .....	1,812	13,176
Investments in affiliates .....	—	(14,494)
Cash flows used for investing activities .....	(940)	(7,631)
Cash flows from financing activities:		
Repayments under revolving credit facilities, net .....	(6,658)	(4,672)
Repayment of other short term borrowings .....	(248)	—
Repayment of long term debt .....	(38)	(50)
Purchase of treasury stock .....	(36)	(238)
Debt issuance costs .....	—	(30)
Dividends on preferred stock .....	(185)	(186)
Cash flows used for financing activities .....	(7,165)	(5,176)
Net increase in cash and cash equivalents .....	8,164	8,655
Cash and cash equivalents at beginning of period .....	1,942	6,146
Cash and cash equivalents at end of period .....	\$ 10,106	\$ 14,801
Supplemental disclosures:		
Cash paid for interest .....	\$ 81	\$ 182
Cash paid for income taxes, net .....	\$ 2,201	\$ 2,692

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(unaudited)**

**1. General**

*Basis of presentation and description of business*

The accompanying unaudited condensed consolidated financial statements included herein 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. However, since the Company still intends to reduce its ownership of SCL to below 50%, the equity method has been utilized in the financial statements presented herein. Accounting for the investment in SCL on the equity basis versus the inclusion of SCL on a consolidated basis does not change the consolidated net income of Alpine. 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.

These financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's December 31, 2008 Annual Financial Statements available on-line at "www.alpine-group.net/investorrelations.htm". In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included. The results for the three and six month periods ended June 30, 2009 do not necessarily indicate the results that may be expected for the full year.

Alpine is a holding company which over the recent past has owned and operated industrial and other manufacturing companies. At June 30, 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 cathode and scrap wholesaling and 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 June 30, 2009 Alpine had a 23.4% ownership investment (on a fully diluted basis) in Wolverine Tube, Inc. ("Wolverine"), a manufacturer of copper and copper alloy tubular products (Note 3).

*Marketable securities*

Statement of Financial Accounting Standards ("SFAS") No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, requires marketable securities to be classified as held to maturity, available for sale or trading. Only those securities classified as held to maturity, which the Company intends and has the ability to hold until maturity, are reported at amortized cost. Available for sale securities are reported at fair value with unrealized gains and losses included in accumulated other comprehensive income (loss), net of related income taxes. All of the Company's investment securities were classified as available for sale at June 30, 2009.

The following table shows the unrealized gains (losses) and fair value of the Company's investments aggregated by investment category as of June 30, 2009.

<u>Description of Securities</u>	(in thousands)			<u>Fair Value</u>
	<u>Cost Basis</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses*</u>	
Marketable equity securities .....	\$ 2,340	\$ 46	\$ (69)	\$ 2,317
Municipal bonds and notes .....	200	—	(5)	195
Mutual funds .....	183	—	(41)	142
Fixed income .....	2,054	—	(14)	2,040
Total .....	<u>\$ 4,777</u>	<u>\$ 46</u>	<u>\$ (129)</u>	<u>\$ 4,694</u>

\* It is the Company's assessment that the Unrealized Losses as of June 30, 2009 are temporary in nature.

## **1. General (Continued)**

Alpine reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. The unrealized losses as of June 30, 2009 are considered to be temporary in nature. Factors considered in determining whether a loss is temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, credit quality of investee and Alpine's ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value.

### ***Restricted cash***

The Company is required to maintain \$0.1 million of cash related to a lease of its New Jersey office, which is classified as other noncurrent assets in the financial statements contained herein.

### ***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, 2008, based upon the valuation of the underlying assets as provided by this limited partnership, was \$0.1 million. On 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. The proceeds were utilized for working capital purposes.

### ***Revenue recognition and accounts receivable***

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 both June 30, 2009 and December 31, 2008 the allowance was \$0.1 million. 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 Emerging Issues Task Force 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" ("EITF 99-19"), 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.

### ***Related party transactions***

In December 2007, Exeon and Wolverine entered into a 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 is for two years. Exeon sales to Wolverine on a gross basis were \$24.2 and \$81.6 million for the quarters ended June 30, 2009 and 2008, respectively, and \$50.7 and \$177.3 million for the six month periods ended June 30, 2009 and 2008, respectively. The copper handling fee which represents the net sale that was recorded in accordance with EITF 99-19 was \$84,000 and \$141,000 for the quarters ended June 30, 2009 and 2008, respectively and \$195,000 and \$324,000 for the six month periods ended June 30, 2009 and 2008, respectively.

## 1. General (Continued)

### *Accounts receivable from affiliates*

At June 30, 2009 and December 31, 2008 Exeon had \$3.5 and \$1.5 million, respectively, in accounts receivable due from Wolverine pursuant to an agreement between Exeon and Wolverine for the procurement and sale of copper cathode and scrap by Exeon to Wolverine (see Note 3). Additionally, as of June 30, 2009 and December 31, 2008 Wolverine owed the Company \$0.2 and \$1.0 million, respectively, on account of copper hedge deposits collateralizing hedges entered into on behalf and for the benefit of Wolverine in conjunction with Exeon's performance under such agreement. The Company has also accrued \$2.0 million of dividends for which payment has been deferred related to the Company's investment in Wolverine preferred stock (see Note 4); however, since based upon current evaluation it is more likely than not that the Company will not receive these funds, a reserve for the full amount was established as of December 2008.

### *Equity accounting for earnings (losses) of affiliates*

Alpine uses the equity method to account for its investments in affiliates (see Note 3). Because the results of operations for these companies are not always available and/or released to the public when Alpine would otherwise be prepared to release its quarterly results, the Company has elected to report its share of affiliate income (loss) and other comprehensive income (loss) "OCI" on a one-quarter lag basis commencing with the first quarter of 2009. The third and fourth quarter results of affiliates will be recorded in the fourth quarter for Alpine so that the full year audited financial statements reflect Alpine's share of the full year audited results of its affiliates.

## 2. Inventories

At June 30, 2009 and December 31, 2008, the components of inventories were as follows:

	<u>June 30,</u>	<u>December 31,</u>
	<u>2009</u>	<u>2008</u>
	(in thousands)	
Raw materials .....	\$ 1,255	\$ 1,313
Work in process .....	525	525
Finished goods.....	1,955	23,460
Total gross inventories .....	<u>3,735</u>	<u>25,298</u>
Lower of cost or market adjustment .....	(168)	(14,094)
LIFO reserve .....	<u>168</u>	<u>12,869</u>
Total gross inventories .....	<u>\$ 3,735</u>	<u>\$24,073</u>

The inventories shown above include \$1.3 and \$22.3 million of gross inventory as of June 30, 2009 and December 31, 2008, respectively, valued using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on actual inventory levels and costs at such time. Due to prior LIFO inventory layer costs that were higher than the current cost at June 30, 2009 and December 31, 2008, the LIFO reserve was a debit balance of \$0.2 and \$12.9 million as of those dates, respectively. There were charges of a \$1.1 and \$12.7 million against cost of sales during the three and six month periods ended June 30, 2009, respectively, for the decrease in the LIFO debit balance; however these charges were offset by credits to cost of sales of \$1.1 and \$13.9 million for those same periods, respectively due to the reversal of lower of cost or market adjustments. Such interim results are subject to adjustment in future periods to reflect final year-end LIFO inventory valuation.

## 3. Investments 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.

### 3. Investments in affiliates (Continued)

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 June 30, 2009. 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. As of March 2009, the agreement has been extended on a month to month basis. During the six month periods ended June 30, 2009 and 2008 the Company recorded \$0.6 and \$0.6 million, respectively, as a credit against selling, general and administrative expenses related to management fees under such agreement.

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 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 12.5% on June 30, 2009.

### 3. Investments in affiliates (Continued)

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 on Alpine represent a proportional impact of the Wolverine losses and decrease in OCI such that Alpine's investment in Wolverine is zero as of December 31, 2008 and June 30, 2009. Alpine's share of Wolverine's first quarter 2009 net loss was \$2.2 million and its share of the increase in Wolverine's OCI was \$0.7 million, however the Company will not record any additional equity adjustments relative to Wolverine unless or until Wolverine's earnings become positive and Alpine's share of such net cumulative positive earnings (including OCI) exceeds \$5.3 million (\$3.8 million from 2008 plus \$1.5 million (net) from first quarter 2009). As mentioned in Note 1, the Company began recording its share of affiliates income (loss) and OCI on a one-quarter lag basis, commencing with the first quarter of 2009, including reporting and recognition, as applicable, of the Company's share of Wolverine's income (loss) and OCI.

The Company received \$0.2 million in dividend payments for the three month period ended March 31, 2008, on account of its Wolverine preferred stock holdings. The Company recorded \$0.3 million for the three month period ending March 31, 2008 as dividend income; however, beginning in the second quarter of 2008, as part of its equity accounting for Wolverine, Alpine recorded the dividends as a reduction to their investment in Wolverine.

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, Alpine owns 23.4% of Wolverine on a fully diluted, as converted basis.

#### *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 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; however to facilitate a more timely release of Alpine financial information, commencing with the first quarter of 2009, the Company began recording its share of SCL's earnings and OCI on a one-quarter lag basis. Alpine's share of SCL's first quarter loss was a \$1.3 million loss that was recorded in Alpine's second quarter 2009 income statement. SCL's first quarter 2009 change in OCI and its resultant impact on Alpine was negligible.

#### **4. Revolving credit facility and other short term borrowings**

On December 19, 2006, Exeon entered into a loan agreement with a 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; however all indebtedness under the facility was repaid and the agreement was terminated by the parties thereto on June 16, 2009. As of June 30, 2009 and December 31, 2008 the principal loan balances outstanding were \$0.0 and \$6.7 million, respectively. Alpine was an absolute and unconditional guarantor of all indebtedness under this revolving credit facility.

As of June 30, 2009 Exeon has a credit line account with UBS Bank USA (“UBS”) with a credit limit of \$740,000. The line is guaranteed by Alpine and collateralized by Exeon’s and Alpine’s cash equivalents and other investments on deposit with UBS and its affiliates from time to time for the account of Exeon and Alpine. The outstanding balance under the Exeon credit line was zero as of both June 30, 2009 and December 31, 2008. In November 2008, Alpine established a similar credit line with UBS without regards to amount but limited to certain investments held on account. The outstanding balance under the Alpine credit line was \$1.8 and \$1.9 million as of June 30, 2009 and December 31, 2008, respectively.

#### **5. Series A Cumulative Convertible 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 June 30, 2009, there were 12,159 shares of Alpine Series A Cumulative Convertible Stock (the “Alpine Series A Preferred Stock”) outstanding. Holders of the Alpine 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. The Alpine 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 Alpine Series A Preferred Stock. As a result of a special dividend declared by the Company during 2004 the conversion rate increased to 743.01. There were 12 and 4 shares of Alpine Series A Preferred Stock converted into 8,916 and 2,972 shares of Common Stock during the six month periods ended June 30, 2009 and 2008, respectively. Unconverted shares of Alpine Series A Preferred Stock cease to be convertible from and after December 21, 2009 and are mandatorily redeemable as set forth below.

The Company may cause conversion of the Alpine Series A Preferred Stock into Common Stock if the Common Stock is then listed on the New York Stock Exchange or the American Stock Exchange or is traded on the Nasdaq National Market System and the average closing price of a share of the Common Stock for any 20 consecutive trading days equals or exceeds 300% of the conversion price then in effect. The Alpine Series A Preferred Stock is subject to mandatory redemption by the Company ratably 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 will, subject to certain limitations, offer to redeem the Alpine Series A Preferred Stock at a cash price of \$380 per share plus accrued and unpaid dividends.

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

At June 30, 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 <sup>1</sup>/<sub>2</sub> 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 Alpine Series A Preferred Stock.

## 6. Earnings Per Share

The computation of basic and diluted income (loss) per share for the three month periods ended June 30, 2009 and 2008 is as follows:

	<u>Three Months Ended June 30,</u>					
	2009			2008		
	<u>Net income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>	<u>Net income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>
<b><u>Basic and diluted earnings (loss) per share</u></b>						
Net loss from continuing operations .....	\$ (1,641)	11,637	\$ (0.14)	\$(4,122)	11,338	\$ (0.36)
Adjustments:						
Preferred stock dividends .....	(96)	11,637	(0.01)	(97)	11,338	(0.01)
Loss attributable to common stock from continuing operations .....	\$ (1,737)	11,637	\$ (0.15)	\$(4,219)	11,338	\$(0.37)
Income from discontinued operations, net of tax .....	—	11,637	—	3,993	11,338	0.35
Net loss applicable to common stock .....	\$ (1,737)	11,637	\$ (0.15)	\$ (226)	11,338	\$ (0.02)

	<u>Six Months Ended June 30,</u>					
	2009			2008		
	<u>Net income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>	<u>Net income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>
<b><u>Basic and diluted earnings (loss) per share</u></b>						
Net loss from continuing operations .....	\$ (2,010)	11,630	\$ (0.17)	\$(4,858)	11,331	\$ (0.43)
Adjustments:						
Preferred stock dividends .....	192	11,630	(0.02)	(194)	11,331	(0.02)
Loss attributable to common stock from continuing operations .....	\$ (2,202)	11,630	\$ (0.19)	\$(5,052)	11,331	\$(0.45)
Income from discontinued operations, net of tax .....	—	11,630	—	3,840	11,331	0.34
Net loss applicable to common stock .....	\$ (2,202)	11,630	\$ (0.19)	\$ (1,212)	11,331	\$ (0.11)

The Company has excluded the assumed exercise of certain stock options (2.0 million), vesting of restricted stock grants (0.2 million) and conversion of all preferred stock (12,337 preferred shares convertible into 9.0 million common shares) from the Company's earnings per share calculation for the six month period ended June 30, 2009 and the assumed exercise of all stock options (1.8 million), vesting of restricted stock grants (0.5 million) and conversion of all preferred stock (12,389 preferred shares convertible into 9.1 million common shares) from the Company's earnings per share calculation for the six month period ended June 30, 2008, as the impact for both periods would be anti-dilutive due to the loss from continuing operations for those periods.

## 7. 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.

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, each non-employee director may also elect to receive all or a portion of the remaining amount of the 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 is paid in cash and the remaining 50% is paid in the form of restricted stock and/or stock options as selected by each non-employee director. During the quarter ended June 30, 2009, 123,952 non-qualified stock options were granted to non-employee directors. During the quarter ended June 30, 2008, 15,994 non-qualified stock options and 2,083 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. During the quarter ended June 30, 2009, 2,253 stock options issued under the Director Plan expired. 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.

Alpine sponsors a 1984 Restricted Stock Plan under which a maximum of 600,000 shares of Common Stock have been reserved for issuance. At June 30, 2009, there were 45,064 shares available for issuance. During the quarter ended June 30, 2009, 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 June 30, 2009, 2,427,809 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 and \$0.2 million as of June 30, 2009 and December 31, 2008, respectively. During the second quarter of 2009 no new deferrals were granted, 36,565 shares vested and 956 previously vested shares were certificated and distributed.

## 7. Stock-based compensation plans (Continued)

The following table summarizes restricted stock activity for the three month periods ended March 31, and June 30, 2009:

	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, 2008.....	36,565	\$ 3.40	20,905	\$ 2.55
Granted .....	—	—	—	—
Vested .....	—	3.40	(1,179)	2.65
Nonvested balance at March 31, 2009.....	<u>36,565</u>	3.40	<u>19,726</u>	2.54
Granted .....	—	—	—	—
Vested .....	<u>36,565</u>	3.40	<u>(956)</u>	3.27
Nonvested balance at June 30, 2009.....	<u>—</u>	3.40	<u>18,770</u>	2.51
Unrecognized Compensation Costs .....	\$ 0		\$16,290	
Weighted Average Period Remaining .....	0 Years		1.6 Years	

Excluded from the table above are 163,494 and 183,494 shares as of June 30, 2009 and December 31, 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 expenses in the statement of operations. There was approximately \$0.1 million of unamortized compensation expense related to such matching contribution shares as of June 30, 2009 that is expected to be recognized over a weighted average period of 1.8 years.

The following table summarizes stock option activity for the three month periods ended March 31, and June 30, 2009:

	Shares Outstanding	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2008.....	1,858,711	\$ 1.91	6.56	\$49,348
Exercised.....	—	—		
Canceled .....	(2,608)	\$13.20		
Granted .....	54,229	\$ 0.80		
Outstanding at March 31, 2009.....	<u>1,910,332</u>	\$ 1.86	6.42	\$ 0
Exercised.....	—	—		
Canceled .....	(2,253)	\$13.04		
Granted .....	<u>123,952</u>	\$ 0.35		
Outstanding at June 30, 2009.....	<u>2,032,031</u>	\$ 1.76	6.39	\$ 0
Options exercisable at June 30, 2009.....	1,246,616	\$ 1.56	4.99	\$ 0

There were no options exercised during the six month period ended June 30, 2009

The weighted average grant-date fair value of options granted for the six month periods ended June 30, 2009 and 2008 was \$0.45 and \$1.97, respectively.

## 7. Stock-based compensation plans (Continued)

Information with respect to stock-based compensation plan stock options outstanding and exercisable at June 30, 2009 is as follows:

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Of Options <u>Outstanding</u>	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Of Options <u>Exercisable</u>	Weighted Average Exercise Price
\$0.35 - \$0.65	303,992	6.17	\$ 0.50	180,040	\$ 0.60
\$0.76	333,851	3.98	\$ 0.76	333,851	\$ 0.76
\$0.87 - \$2.96	1,342,926	7.14	\$ 2.15	690,491	\$ 1.93
\$3.10 - \$9.81	45,384	4.23	\$ 4.31	36,356	\$ 4.61
\$10.44 - \$17.94	5,878	0.38	\$13.36	5,878	\$13.36
	<u>2,032,031</u>	6.39	\$ 1.76	<u>1,246,616</u>	\$ 1.56

The Company accounts for stock options using the provisions of adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Stock-based Payment," ("SFAS 123(R)") 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 six months ended June 30, 2009 and 2008, was \$0.4 and \$0.5 million, respectively.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Statement of Operations. Prior to the adoption of SFAS 123(R), the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB 25 as allowed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

There were no options exercised during the second quarter of 2009 or 2008.

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:

The following assumptions were used for each respective period:

	<u>Three months ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Risk free interest rate	2.31%	3.23%
Expected life	2.0	2.0
Expected volatility	160%	129%
Expected dividend yield	0%	0%