

The Alpine Group, Inc.
Financial Statements
For the fiscal years ended December 31, 2007 and 2006

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of The Alpine Group, Inc. (the Company) as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity, 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 audits. We did not audit the financial statements of Synergy Cables Ltd. (SCL), a 52% owned subsidiary, accounted for using the equity method (see below). The financial statements of SCL for the years ended December 31, 2007 and 2006, prepared on the basis of accounting principles generally accepted in Israel, were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for SCL, is based solely on the report of other auditors and the procedures that we considered necessary in the circumstances with respect to the conversion of SCL's results from Israeli accounting principles to those accounting principles 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 provide a reasonable basis for our opinion.

The Company has accounted for 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. If this subsidiary were consolidated, total assets would be increased by \$202.6 million and \$176.4 million and total liabilities would be increased by \$195.4 million and \$175.2 million as of December 31, 2007 and 2006, respectively.

In our opinion, except for the effects of not consolidating its majority owned subsidiary as discussed in the preceding paragraph, based on our audits and the report of other auditors the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006 and the results of its operations and its cash flows for years then ended, in conformity accounting principles generally accepted in the United States of America.

As disclosed in Notes 1 and 9, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 on January 1, 2007.

/s/ Crowe Chizek and Company LLC

Fort Wayne, Indiana
April 25, 2008

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

ASSETS	December 31, 2007	December 31, 2006
Current assets:		
Cash and cash equivalents	\$ 6,146	\$ 1,586
Amount due from redemption of investment (Note 1)	11,029	—
Marketable securities, at fair value (Note 1).....	—	4,187
Restricted cash and marketable securities (Note 1)	300	2,810
Other investments (Note 1).....	947	9,474
Accounts receivable, trade.....	3,699	174
Accounts receivable from affiliates (Note 1).....	122	4,192
Inventories, net (Note 2).....	28,001	35,925
Notes receivable from affiliate (Note 19).....	—	3,275
Current assets of discontinued operations (Note 6)	734	2,037
Prepaid expenses, deposits and other current assets	4,809	4,261
Total current assets.....	55,787	67,921
Property, plant and equipment, net (Note 3).....	743	352
Investment in affiliates (Note 4)	28,339	11,796
Deferred income taxes	2,747	2,828
Goodwill	533	—
Other assets	1,457	2,049
Total assets.....	\$ 89,606	\$ 84,946
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (Note 7).....	\$ 7,979	\$ 1,128
Current portion of long-term debt (Note 8)	93	130
Accounts payable.....	8,901	13,057
Accrued expenses	5,359	3,326
Income taxes payable.....	1,756	—
Deferred income taxes (Note 9).....	10,294	12,691
Current liabilities of discontinued operations (Note 6).....	931	2,183
Total current liabilities	35,313	32,515
Long-term debt, less current portion (Note 8)	281	339
Other long-term liabilities (Note 10).....	1,528	19,176
Mandatorily redeemable series A convertible preferred stock (12,215 and 12,303 shares outstanding at December 31, 2007 and 2006, respectively) (Note 11).....	4,602	4,635
Commitments and contingencies (Notes 18)		
Stockholders' equity:		
9% cumulative convertible preferred stock at liquidation value.....	177	177
Common stock, \$.10 par value; (50,000,000 shares authorized; 26,752,868 and 26,665,817 shares issued at December 31, 2007 and 2006, respectively)	2,675	2,667
Capital in excess of par value	171,027	170,244
Accumulated other comprehensive income (loss)	29	289
Accumulated deficit.....	(9,580)	(28,691)
Treasury stock, at cost (17,427,255 and 17,414,721 shares at December 31, 2007 and 2006, respectively)	(116,239)	(116,128)
Receivable from stockholders (Note 19)	(207)	(277)
Total stockholders' equity	47,882	28,281
Total liabilities and stockholders' equity	\$ 89,606	\$ 84,946

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

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

	Year Ended December 31,	
	2007	2006
Net sales.....	\$ 53,560	\$ 23,102
Cost of goods sold.....	48,182	22,887
Gross profit.....	5,378	215
Selling, general and administrative expenses.....	8,348	4,605
Operating loss.....	(2,970)	(4,390)
Interest expense.....	(490)	(799)
Gain on sale of stock of affiliate (Note 4).....	—	1,237
Dividend and interest income.....	1,479	1,786
Realized gains on sale of investments.....	3,179	1,206
Other expense, net.....	(88)	(18)
Income (loss) before income taxes, equity in earnings of affiliate and discontinued operations.....	1,110	(978)
Income tax provision.....	(975)	(81)
Income (loss) before equity in earnings of affiliate and discontinued operations	135	(1,059)
Equity in earnings of affiliate.....	2,530	1,796
Income from continuing operations.....	2,665	737
Discontinued operations (Note 6):		
Income (loss) from discontinued operations (including gain on sale of Exeon of \$25,639 in 2006).....	(1,585)	33,919
Income tax (provision) benefit.....	634	(14,120)
Income (loss) from discontinued operations.....	(951)	19,799
Net income.....	1,714	20,536
Preferred stock dividends.....	(388)	(400)
Net income applicable to common stock.....	\$ 1,326	\$ 20,136
Net income per share of common stock: (Note 13)		
Basic:		
Income attributable to common stock from continuing operations.....	\$ 0.21	\$ 0.03
Income (loss) from discontinued operations.....	(0.09)	1.55
Net income per basic share of common stock.....	\$ 0.12	\$ 1.58
Diluted:		
Income from continuing operations.....	\$ 0.13	\$ 0.03
Income (loss) from discontinued operations.....	(0.05)	0.86
Net income per diluted share of common stock.....	\$ 0.08	\$ 0.89
Weighted average shares outstanding:		
Basic.....	11,108	12,749
Diluted.....	21,016	23,064

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

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

	Year Ended December 31,			
	2007		2006	
	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 ..	26,665,817	2,667	25,239,696	2,524
Shares issued pursuant to the Series A Preferred Stock conversion.....	65,384	6	1,227,448	123
Exercise of stock options	21,667	2	198,673	20
Balance at end of period	<u>26,752,868</u>	<u>2,675</u>	<u>26,665,817</u>	<u>2,667</u>
Capital in excess of par value:				
Balance at beginning of period ..		170,244		169,156
Compensation expense related to restricted stock and certain stock options, less vested shares released from Treasury		742		424
Shares issued pursuant to the Series A Preferred Stock Conversion.....		27		504
Exercise of stock options		14		160
Balance at end of period		<u>171,027</u>		<u>170,244</u>
Accumulated other comprehensive income (loss):				
Balance at beginning of period ..		289		219
Realized net (gains) losses on sale of securities (net of tax benefit of \$1,271 and \$482 respectively).....		(1,907)		(724)
Change in unrealized gains (losses) on securities, (net of tax benefit of \$1,098 and \$523 respectively).....		1,647		784
Change in minimum pension liability (net of tax benefit of \$0 and \$7, respectively)....		—		10
Balance at end of period		<u>29</u>		<u>289</u>

(Continued)

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

	Year Ended December 31,			
	2007		2006	
	Shares	Amount	Shares	Amount
Accumulated deficit:				
Balance at beginning of period..		(28,691)		(48,827)
Net income.....		1,714		20,536
Adoption of FIN 48		17,785		—
Dividends on preferred stock.....		(388)		(400)
Balance at end of period.....		<u>(9,580)</u>		<u>(28,691)</u>
Treasury stock:				
Balance at beginning of period..	(17,414,721)	(116,128)	(10,873,427)	(93,648)
Stock options and grants.....	125,572	258	143,376	81
Stock repurchase.....	(138,106)	(369)	—	—
Modified Dutch Auction redemptions	—	—	(6,684,670)	(22,561)
Balance at end of period	<u>(17,427,255)</u>	<u>(116,239)</u>	<u>(17,414,721)</u>	<u>(116,128)</u>
Receivable from stockholders:				
Balance at beginning of period..		(277)		(346)
Forgiveness of Officers' loans ...		<u>70</u>		<u>69</u>
Balance at end of period.....		<u>(207)</u>		<u>(277)</u>
Total stockholders' equity		<u>\$ 47,882</u>		<u>\$ 28,281</u>

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>	
	2007	2006
Cash flows from operating activities:		
Net income.....	\$ 1,714	\$20,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of Exeon assets	—	(25,639)
Depreciation and amortization	161	888
Compensation expense related to stock options and grants.....	1,069	567
Deferred income taxes.....	(2,224)	4,527
Minority interest in income of subsidiary.....	—	1,617
Equity in income of affiliate.....	(2,530)	(1,796)
Realized gain on sale of stock of affiliate.....	—	(1,237)
Realized gain on investments in securities	(3,179)	(1,206)
Other	55	301
Change in assets and liabilities:		
Accounts receivable, net.....	(2,062)	68,869
Accounts receivable from affiliate	4,070	(4,192)
Inventories, net	9,572	(26,811)
Other current and non-current assets.....	518	(1,337)
Accounts payable	(5,072)	(12,144)
Accrued expenses	2,408-	(14,473)
Other, net.....	138	662
Cash flows provided by operating activities	<u>4,638</u>	<u>9,132</u>
Cash flows from investing activities:		
Capital expenditures	(57)	(162)
Purchase of marketable securities.....	(48,521)	(116,486)
Proceeds from sale of assets	678	229
Increase (decrease) in restricted cash.....	(276)	25
Proceeds from sale of marketable securities.....	55,761	124,297
Proceeds from (advances under) loans to affiliate.....	3,275	(1,876)
Acquisition of Posterloid	(2,924)	—
Proceeds from sale of Exeon assets, net of transaction costs	—	53,981
Proceeds from sale stock of affiliate.....	—	1,237
Purchase of minority interest and warrant	—	(8,500)
Investment in affiliates.....	(14,013)	(10,000)
Cash flows provided by (used for) investing activities	<u>(6,077)</u>	<u>42,745</u>

(Continued)

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

	Year Ended December 31,	
	2007	2006
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit facilities	6,852	(25,597)
Repayments of long-term borrowings.....	(122)	(2,563)
Purchase of Treasury Stock	(369)	—
Proceeds from exercise of stock options.....	16	188
Dividends on preferred stock.....	(378)	(400)
Common stock redemptions from Modified Dutch Auction.....	—	(22,561)
Cash flows provided by (used for) financing activities.....	5,999	(50,933)
Net increase in cash and cash equivalents.....	4,560	944
Cash and cash equivalents at beginning of year.....	1,586	642
Cash and cash equivalents at end of year.....	\$ 6,146	\$ 1,586
Supplemental disclosures:		
Cash paid for interest	\$ 332	\$ 558
Cash paid for income taxes, net	\$ 1,417	\$ 13,381

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, 2007 and 2006

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. However, since the Company intends to reduce its ownership of SCL to below 50% the equity method is 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. There were no differences between Israeli Accounting Principles ("IAP") 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 2007 is presented below:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Balance Sheet		
Current assets.....	\$152,535	\$115,468
Long-term assets.....	75,821	79,918
Total assets	<u>\$227,816</u>	<u>\$195,386</u>
Current liabilities	\$ 82,481	\$105,944
Long-term liabilities	89,473	66,418
Stockholders' equity	55,863	23,024
Total liabilities and stockholders' equity	<u>\$227,816</u>	<u>\$195,386</u>
	<u>Year ended</u> <u>December 31,</u> <u>2007</u>	<u>Year ended</u> <u>December 31,</u> <u>2006</u>
Statement of Operations		
Net sales	\$269,608	\$233,445
Net income	\$ 4,470	\$ 5,738

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, 2007 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 scrap reclamation and Posterloid Inc. ("Posterloid"), a wholly owned subsidiary engaged in the design and manufacture of menu boards and signage for the food service industry and financial institutions (see Note 5). Additionally, as of December 31, 2007 Alpine had a 10.6% ownership investment (on a fully diluted basis) in Wolverine Tube, Inc. ("Wolverine"), a manufacturer of copper and copper alloy tubular products (see Note 4). Alpine increased its ownership in Wolverine to 14.6% and 22.4% on a fully diluted basis as of January 25 and March 20, 2008, respectively (see Note 22). Exeon changed its name from Essex Electric Inc. on January 31, 2007, and SCL changed its name from Superior Cables Ltd. on April 23, 2007.

Prior to January 31, 2006, Exeon was engaged primarily in the manufacture and sale of electrical building wire and cable. On January 31, 2006 substantially all of the assets of Exeon were sold. This transaction is referred to herein as the "Exeon Sale" (see Note 6). A pretax book gain of approximately \$25.6 million was recorded in the first quarter of 2006 related to this disposition. The results of operations of Exeon's building wire business for all periods contained herein have been presented as discontinued operations (see Note 6). The remaining sales and results of continuing operations for Exeon relate to the aforementioned copper scrap reclamation business.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

Significant customers

Three customers accounted for 26%, 15% and 13%, respectively, of net sales for the year-ended December 31, 2007. The outstanding accounts receivable as of December 31, 2007 related to these customers were \$0.0, \$0.4 and \$1.5 million respectively. The two first-referenced 2007 customers accounted for 60% and 17%, respectively, of net sales for the year-ended December 31, 2006. The third such referenced customer was not a significant customer in 2006. There were no outstanding accounts receivable related to any of the aforementioned customers as of December 31, 2006.

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.

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, net of related income taxes; however the Company had no marketable securities outstanding as of December 31, 2007. All of the Company's investment securities were classified as available for sale at December 31, 2006 and the cost of such securities was equal to the market value.

Alpine reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. 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.

In October 2006, Alpine established a \$25 million credit line utilizing marketable securities, cash and cash equivalents and as collateral at specified advance rates. The balance outstanding on the credit line was zero as of December 31, 2007 and 2006. There are no financial covenants associated with this line of credit.

Restricted cash and marketable securities

In connection with the Exeon Sale (see Note 6), Exeon (and/or Alpine as guarantor) agreed to maintain encumbrance free through July 31, 2007 an amount equal to \$2.8 million in (a) cash, (b) cash equivalents or (c) marketable securities. This amount was classified as restricted cash and marketable securities at December 31, 2006; however since the restriction period has lapsed there is no such restriction as of December 31, 2007. The Company is required to maintain \$0.3 million of cash in accordance with the terms of its revolving credit facility (see Note 7) and \$0.1 million of cash related to a lease of its New Jersey office, such amounts of which are classified as restricted cash and other assets, respectively, 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, 2007, based upon the valuation of the underlying assets as provided by this limited partnership, was \$12.3 million. On December 31, 2007 the Company liquidated \$11.0 million of the investment and realized a gain of approximately \$2.5 million from the sale of this investment; however since the actual proceeds were not received until January 2008, the liquidated portion of the investment was classified as "Amount due from redemption of investment" at December 31, 2007. The proceeds were utilized for working capital purposes.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

Accounts receivable from affiliate

At December 31, 2006 Exeon had \$4.2 million in accounts receivable due from SCL pursuant to an agreement between Exeon and SCL for the procurement and sale of copper rod by Exeon to SCL (see Note 19). The \$4.2 million was received on January 2, 2007. There was no receivable due from SCL due at December 31, 2007.

Inventories

Substantially all inventories are stated at the lower of cost or market, using the last-in, first-out ("LIFO") method. 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, 2006 an LCM adjustment of \$1.6 million, primarily related to the copper rod purchased for resale to SCL (see Note 2), was recorded. The adjustment reflected the decrease in copper prices from the time the copper rod was purchased and December 31, 2006. Hedging transactions were entered into at the time of such purchases and the effect on earnings from the LCM adjustment was offset by a mark-to-market adjustment for the related hedge instruments (see Note 17). The LIFO cost of the Exeon inventories was lower than the current market values thereof as of December 31, 2007 and therefore no LCM adjustment was needed for 2007.

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 \$533 represents the excess of the purchase price over the fair value of the net assets acquired in the Posterloid acquisition. Goodwill will be assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Income taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for both the expected future tax impact of temporary differences arising from assets and liabilities whose tax bases are different from financial statement amounts and for the expected future tax benefit to be derived from tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. A valuation allowance is established if it is more likely than not that all or a portion of deferred tax assets will not be realized. Realization of the future tax benefits of deferred tax assets (including tax loss carryforwards) is dependent on Alpine's ability to generate taxable income within the carryforward period and the periods in which net temporary differences reverse.

On July 13, 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 ("FIN 48"), which clarifies the accounting for uncertainty in tax positions. FIN 48 requires recognition in the financial statements of the impact of a tax position, if that position is more likely than not of being sustained on examination, based on the technical merits of the position. The provisions of this interpretation are required to be adopted for fiscal periods beginning after December 15, 2006. The Company has applied the provisions of FIN 48 to all tax positions and upon initial adoption, the cumulative effect adjustment was recognized as an adjustment

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

to other retained earnings during the first quarter of 2007. The Company will classify estimated interest and penalties related to adjustment of income taxes as a component of income tax expense in the consolidated statement of incomes.

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.

Subsidiary stock transactions

The Company's ownership percentage in subsidiary stock is impacted by the Company's purchase of additional subsidiary stock, as well as subsidiary stock transactions, including the subsidiary's purchase of its own stock and the subsidiary's issuance of its own stock. The Company records all gains and losses related to subsidiary stock transactions through other income and expense.

On January 25, 2006 Alpine purchased from Superior Essex Inc., a then minority shareholder of Exeon, 614 shares of Exeon common stock together with a warrant to acquire up to 19.9% of Exeon for a purchase price of \$8.5 million. As a result, Alpine owned 100% of the total outstanding capital stock of Exeon as of that date.

Derivative financial instruments

The Company applies SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* as amended by SFAS No. 137 and SFAS No. 138, and SFAS No. 149 *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* for its derivative financial instruments. These statements establish accounting and reporting standards for derivative instruments and require recognition of all derivatives as either assets or liabilities in the statements of financial position and measurement of those instruments at fair value.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered, the Company designates the derivative as either (i) a fair value hedge of a recognized asset or liability, (ii) a cash flow hedge of a forecasted transaction, (iii) a hedge of a net investment in a foreign operation, or (iv) a non-designated derivative instrument. During 2007 and 2006 the Company engaged only in non-designated derivative instruments. During 2007 and 2006, the Company utilized derivatives to attempt to mitigate any potential loss involving the purchase and/or sale of copper based products. The Company attempts to mitigate any potential loss on the purchase and sale of copper products through the use of futures contracts on either the LME or COMEX metal exchanges. Changes in the fair value of non-designated derivative contracts are reported in current earnings. At December 31, 2007 the Company had approximately \$23.1 million of copper futures contracts representing 7.6 million copper pounds outstanding as non-designated derivative instruments. These contracts were recorded at fair value as of December 31, 2007. At December 31, 2006, the Company had approximately \$21.2 million of copper futures contracts representing 7.4 million copper pounds outstanding as non-designated derivative instruments. These contracts were recorded at fair value at December 31, 2006.

The Company does not currently utilize any hedging instruments that are designated for hedge accounting treatment. If such transactions were to arise, the Company would be required to formally document all relationships between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedge transactions. Derivative financial instruments and derivative transactions reflected in the consolidated financial statements are discussed in Note 17.

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, 2007 and 2006 no allowance was needed. 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 ("EITF") 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent", 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

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

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.

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 is 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.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144, *Accounting for the Impairment for Disposal of Long-lived Assets*, long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset group. Assets to be disposed of are included in other current assets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

Use of estimates

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, 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 SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* effective January 1, 2003. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity*. The restructuring costs incurred during the years ended December 31, 2007 and 2006 have been accounted for in accordance with SFAS No. 146. These costs are included in discontinued operations.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

Guarantees

The Company adopted FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others*, an interpretation of FASB Statements No. 5, 57 and 107 and a rescission of FASB Interpretation No. 34 effective January 1, 2003. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002. 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. As of December 31, 2002, 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 \$8 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.

In connection with the acquisition of Posterloid Corporation (see Note 5), Alpine has guaranteed payment of a contingent earn out of up to maximum of \$0.5 million based on achievement of certain cumulative performance levels over a three year period.

Stock -Based Employee Compensation Plans

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123R, *Share-Based Payment* ("SFAS 123R"), utilizing the modified prospective method. SFAS 123R requires the recognition of 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, estimated in accordance with the provisions of SFAS 123R. 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. Under the modified prospective method, the provisions of SFAS 123R apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), are recognized in net income in the periods after the date of adoption. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation expense to be reported as a financing cash flow, rather than as an operating cash flow as prescribed under the prior accounting rules. This requirement reduces net operating cash flow and increases net financing cash flows in periods after adoption. Total cash flow remains unchanged from what would have been reported under the prior accounting rules.

2. Inventories

At December 31, 2007 and 2006, the components of inventories are as follows:

	December 31, 2007	December 31, 2006
(in thousands)		
Raw materials	\$ 2,024	\$ 4,499
Work in process	364	—
Finished goods	26,167	33,409
	<hr/> 28,555	<hr/> 37,908
Lower of cost or market adjustment	—	(1,620)
LIFO reserve	(554)	(363)
	<hr/> \$28,001	<hr/> \$35,925

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

2. Inventories (Continued)

At December 31, 2007, \$26.4 million of inventories were valued using the LIFO method of accounting. At December 31, 2006 all of the inventories were valued using the LIFO method of accounting. In December 2007 Exeon and Wolverine entered into a supply agreement whereby Exeon agreed to supply Wolverine and Wolverine agreed to purchase from Exeon all of its copper scrap and cathode requirements for its North American melting operations. The agreement is for an initial term of two years with an option to renew if both parties are in agreement. In accordance with its obligations under the agreement, during December 2007 Exeon purchased \$23.0 million of copper cathode and scrap to begin servicing Wolverine's requirements on January 2, 2008.

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. In accordance with the agreement Exeon purchased \$50 million of copper rod for resale to SCL, a portion of which SCL purchased and used during the fourth quarter of 2006 and the balance of which was contractually required to be purchased and used by SCL in early 2007. As a result, Exeon and the Company's inventory at December 31, 2006 included \$32 million of copper rod purchased for resale to SCL. As of December 31, 2006, the Company recorded a lower of cost or market adjustment, primarily related to copper rod inventory purchased for resale to SCL. The adjustment represented the decline in copper prices between the time the inventory was purchased and December 31, 2006. These copper purchases had copper derivatives sold to mitigate any potential loss on the inventory purchases and, therefore, the mark-to-market gain related to the derivatives served to offset the related lower of cost or market adjustment. During 2006 in conjunction with the Exeon Sale (see Note 6), the Company wrote off all but \$0.2 million of its book LIFO reserve.

3. Property, plant and equipment

At December 31, 2007 and 2006, property, plant and equipment consisted of the following:

	December 31, 2007	December 31, 2006
	(in thousands)	
Land	\$ 27	\$ 27
Buildings and improvements	226	143
Machinery and equipment	859	422
Gross property, plant and equipment.....	1,112	592
Less accumulated depreciation	(369)	(240)
Net property, plant and equipment	\$ 743	\$ 352

Depreciation expense for the years ended December 31, 2007 and 2006, was \$0.1 million for each year.

4. Investment in affiliates

Wolverine Tube, Inc.

On February 16, 2007, Alpine and a co-investor purchased \$10 million and \$40 million, respectively, of newly issued shares of Series A 8% Convertible Preferred Stock (the "Wolverine Preferred Stock") of Wolverine Tube, Inc. ("Wolverine"), and on February 17, 2007, representatives of Alpine and such unrelated co-investor joined Wolverine's board of directors, constituting a majority thereof. Additionally, 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 2007 the Company recorded \$1.1 million, as a credit against selling, general and administrative expenses related to the management fees. Dividends on the Wolverine Preferred Stock, at an annual rate of 8%, are cumulative and payable quarterly on each January 31, April 30, July 31 and October 31. Wolverine is entitled to defer dividends on its Preferred Stock in certain circumstances at a higher dividend rate. Additionally, if

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

4. Investment in affiliates (Continued)

Wolverine fails to register for resale the common stock into which the Wolverine Preferred Stock is convertible, then the applicable dividend rate thereon 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%. However, Alpine has for the time being and through June 30, 2008 waived all further adjustment in such dividend rate on account of such unsatisfied requirement. The Company has received \$0.6 million as of December 31, 2007 for its share of 2007 dividends. The Company has recorded \$0.7 million, for the year ended December 31, 2007, including the fourth quarter dividend accrued but not paid, in dividend and interest income in the statement of operations. The Wolverine 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 and would result in an ownership by Alpine in Wolverine of 10.6% on a fully diluted basis. Alpine increased its ownership in Wolverine to 14.6% and 22.4% on a fully diluted basis as of January 25, and March 20, 2008, respectively (See Note 22).

On March 29, 2007 and October 18, 2007, 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") and 366,588 (the "Additional Option") shares of common stock of Wolverine, or 6.0% and 0.5%, respectively, of the outstanding shares of Wolverine on a fully diluted basis, at the following prices: \$1.10 per share as to a tranche of 40% of the Original Option and Additional Option shares; \$1.40 per share as to a tranche of 30% of the Original Option and Additional Option shares; and \$2.20 per share as to a tranche of 30% of the Original Option and Additional Option shares. The Original Option and 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 and 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.

Synergy Cables Limited

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 shares of SCL. Concurrently, Alpine and SFKT entered into an agreement which provides for (i) certain restrictions upon sale and disposition of SCL ordinary 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. In conjunction with this refinancing by SCL, the Company sold 9.28 million shares of SCL common stock previously acquired in December 2002 and recorded a \$1.2 million gain on sale of stock of affiliate during the second quarter of 2006. 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 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

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

4. Investment in affiliates (Continued)

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.

5. Acquisitions

Purchase of Posterloid Corporation

On February 23, 2007, Alpine acquired 100% of the stock of Posterloid Corporation (“Posterloid”) for \$2.9 million. The acquisition was accounted for under the provisions of SFAS No. 141 “Business Combinations”. The results of Posterloid’s operation have been included in the consolidated financial statements since that date. Posterloid is located in Long Island City, NY and is a designer and manufacturer of menu boards and signage for the food service industry and financial institutions. 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.

The following summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition.

	February 23, 2007
	(in thousands)
Accounts receivable	\$ 1,307
Inventories	1,611
Other current assets	75
Property, plant and equipment.....	460
Goodwill.....	533
Accounts payable	(715)
Other current liabilities.....	(354)
Net purchase price	\$ 2,917

6. Discontinued operations

Exeon Sale

On January 31, 2006, Exeon completed the sale of certain of its assets comprising its building wire business to Southwire Company (“Southwire”), which we refer to at times as the Exeon Sale. The transaction was provided for and consummated pursuant to an asset purchase agreement between Exeon, as seller and Southwire, as buyer, dated September 30, 2005. The agreement provided for the sale by Exeon of all of its closing date building wire related inventory and prepaid assets, its Florence, Alabama manufacturing plant and equipment, and the assumption by Southwire of certain contracts and selected current liabilities related to the business. Exeon retained substantially all of its other liabilities including the indebtedness under its revolving credit facility. Excluded from the sale were cash and cash equivalents and accounts receivable of Exeon, a copper scrap reclamation plant and operation based in Jonesboro, Indiana, a plastic resin compounding plant and operation based in Marion, Indiana, and three leased warehouse distribution centers. The scrap reclamation operation serviced both Exeon’s internal requirements for scrap processing, as well as external customers. The purchase price was the sum of (i) \$27 million plus (ii) the closing date value of Exeon’s inventory and certain prepaid assets. The purchase price of \$55.6 million was paid in cash by Southwire at closing and was subject to customary post-closing review and adjustment by the parties in accordance with certain agreed upon procedures provided for under the asset purchase agreement, which adjustment amount was not significant. In connection with the consummation of the sale, Exeon repaid in full and terminated its revolving credit facility. In December 2006 Exeon discontinued its plastic resin compounding operations and on May 31, 2007 it sold its Marion, Indiana plant and related machinery and equipment to a third party for \$0.7 million.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

6. Discontinued operations

The assets and liabilities included in the consolidated financial statements relating to the operations of Exeon sold in the Exeon Sale are as follows:

ASSETS	December 31, 2007	December 31, 2006
(in thousands)		
Current assets:		
Accounts receivable	\$ —	\$ 156
Inventories.....	—	37
Assets held for sale.....	—	315
Other current assets	734	1,529
Total assets	734	2,037
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 55	\$ 202
Accrued expenses.....	876	1,374
Deferred income taxes.....	—	83
Income taxes payable	—	524
Total current liabilities.....	931	2,183
Net assets (liabilities)	\$(197)	\$ (146)

The revenues and pretax income included in the accompanying statement of operations which is included in the consolidated financial statements contained herein related to the operations sold in the Exeon Sale are as follows:

	Twelve Months Ended December 31, 2006
	(in thousands)
Net sales	\$64,473
Pretax income (loss).....	33,919

The net sales and pretax income for the year ended December 31, 2006 includes the results of operations for January 2006 while the discontinued operations were still owned by Exeon, the pre-tax gain on the Exeon sale and the loss from discontinued operations for the eleven month period ended December 31, 2006. Included in the pretax income for the year ended December 31, 2006 is approximately \$12.4 million of income resulting from a LIFO decrement due to a significant decrease in inventories in January 2006.

7. Revolving Credit Facility

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. Borrowing availability is determined by reference to a borrowing base that permits advances to be made at net valuation rates against accounts receivable and inventories of Exeon's scrap reclamation business. Interest is payable monthly in arrears and is based on a floating bank base rate less 50 basis points. The effective rate as of December 31, 2007 was 7.25%. The loan is collateralized by the assets of the scrap reclamation business indicated above including the property, plant and equipment located at Exeon's Jonesboro, Indiana facility and inventories related to such business located at such plant and at approved third party consigned locations. The loan also requires compliance by Exeon with certain financial covenants typical to such agreements, all of which, then applicable were in compliance as of December 31, 2007 and 2006. As of December 31, 2007 and 2006 the principal loan balances outstanding were \$8.0 and \$1.1 million, respectively.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

8. Long-term debt

At December 31, 2007 and 2006, long-term debt consists of the following:

	December 31, 2007	December 31, 2006
	(in thousands)	
6% Junior Subordinated Notes due 2010, net of \$0.0 and \$0.1 million discount, respectively	\$374	\$469
Less current portion of long-term debt	93	130
	\$281	\$339

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. During 2007 the Company redeemed \$0.1 million of the Subordinated Notes in accordance with the terms of the Subordinated Notes. During 2006, the Company retired \$2.6 million of the Subordinated Notes and recorded \$0.5 million of additional interest expense related to the acceleration of the related unamortized discount.

At December 31, 2007 and 2006, the fair value of the Company's debt approximates carrying value.

The aggregate principal maturities of long-term debt subsequent to December 31, 2007, were as follows:

<u>Year Ending</u>	<u>(in thousands)</u>
2008	\$ 93
2009	72
2010	233
Total obligation.....	398
Unamortized discount.....	(24)
	\$374

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

9. Income taxes

The (provision) benefit for income taxes for the years ended December 31, 2007 and 2006 is comprised of the following:

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Current:		
Federal	\$(2,537)	\$ (838)
State	(814)	(30)
Total current from continuing operations	<u>(3,351)</u>	<u>(868)</u>
Deferred:		
Federal	1,919	618
State	457	169
Total deferred from continuing operations	<u>2,376</u>	<u>787</u>
Income taxes from continuing operations	(975)	(81)
Income taxes from discontinued operations	634	(3,865)
Provision for taxes on gain on sale of Exeon	—	(10,255)
Total income tax provision	<u>\$ (341)</u>	<u>\$ (14,201)</u>

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, 2007 and 2006, because of the effect of the following items:

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Continuing operations:		
Expected income tax (provision) benefit at U.S. federal statutory tax rate	\$ (1,274)	\$ (286)
State income taxes, net of U.S. federal income tax benefit	(235)	90
Equity in earnings of foreign affiliate	886	630
Gain on sale of stock of foreign affiliate	—	433
Non deductible compensation	—	(228)
Change in valuation allowance	—	(39)
Change in reserves	(221)	(680)
Other, net	(131)	(1)
Income tax provision (benefit) from continuing operations	<u>\$ (975)</u>	<u>\$ (81)</u>

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

9. Income taxes (Continued)

Items that result in deferred tax assets and liabilities and the related valuation allowance at December 31, 2007 and 2006 are as follows:

	December 31, 2007	December 31, 2006
(in thousands)		
Deferred tax assets:		
Accrued expenses	\$ —	\$ 677
Compensation expense related to unexercised stock options and stock grants	2,806	2,697
Net operating loss carryforwards	1,809	2,315
Other	821	639
Total deferred tax assets	5,436	6,328
Less valuation allowance	(2,789)	(2,789)
Net deferred tax assets	2,647	3,539
Deferred tax liabilities:		
Accrued expenses	36	—
Depreciation	16	33
Inventory	10,142	13,369
Total deferred tax liabilities	10,194	13,402
Net deferred tax liability	7,547	9,863
Net long-term deferred tax assets	2,747	2,828
Net current deferred tax liability	\$10,294	\$12,691

During 2001, the Company entered into commercial transactions intended to offset the potential impact of interest rate changes on the Company's investments, including the investment of the net cash proceeds from the sale of an equity investment. The Company claimed tax benefits from these transactions of \$11.2 million and \$3.2 million in 2001 and 2002, respectively. At December 31, 2001, the Company established a tax contingency reserve on its balance sheet corresponding to realized tax benefits. The balance in the reserve was \$17.8 million as of December 31, 2006 including \$15.2 and \$2.6 million related to taxes and interest, respectively. Upon adoption of FIN 48 as of January 1, 2007, the Company reversed the \$17.8 million tax contingency reserve based upon external supporting documentation, the expiration of various statutory periods and evaluation of the reserve based on the provisions of FIN 48 guidelines. This decrease was accounted for by increasing retained earnings by \$17.8 million in the first quarter of 2007. After recording the cumulative effect of this item the Company did not have any significant unrecognized tax benefits as of December 31, 2007.

A reconciliation of the beginning and ending amounts of unrecognized benefits is as follows:

Balance at January 1, 2007	\$ 17,785
Reduction for tax positions of prior years	(17,785)
Balance at December 31, 2007	\$ —

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

9. Income taxes (Continued)

At December 31, 2007, Alpine had state net operating loss carryforwards (“NOL’s”) in the amount of \$2.8 million that can be used to offset future taxable income. The net operating loss carryforwards expire beginning in 2008 and through 2023. 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 SFAS No. 109, a deferred tax valuation allowance in the amount of \$1.8 million is required on those deferred tax assets. During 2007, approximately \$0.6 million of state NOL’s expired unused.

The Company did not provide for U.S. federal income taxes or non-U.S. withholding taxes on approximately \$2.5 million of undistributed earnings of its foreign equity investee as of December 31, 2007 because such earnings are intended to be reinvested indefinitely outside of the United States. Generally, such earnings become subject to U.S. tax upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on such undistributed earnings.

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 2003-2006 tax years. The Company is currently under audit by the State of New York for tax periods 1998 through 2001.

10. Other long-term liabilities

At December 31, 2007 and 2006, other long-term liabilities consist of the following:

	December 31, 2007	December 31, 2006
	<u>(in thousands)</u>	
Tax contingency reserve (see Note 9)	\$ —	\$17,786
Other long-term liabilities	1,528	1,390
	\$1,528	\$19,176

11. 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, 2007, there were 12,215 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. 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

The Company may cause conversion of the 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 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 Series A Preferred Stock at a cash price of \$380 per share plus accrued and unpaid dividends.

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, 2007 and 2006

11. Preferred stock (Continued)

There were 88 and 1,652 shares of Series A Preferred Stock converted into 65,384 and 1,227,448 shares of Common Stock during 2007 and 2006, respectively.

At December 31, 2007, 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.

12. Comprehensive income

The components of comprehensive income for the twelve months ended December 31, 2007 and 2006 were as follows:

	Twelve Months Ended	
	December 31,	
	<u>2007</u>	<u>2006</u>
	(in thousands)	
Net income	\$1,714	\$20,536
Change in unrealized gains (losses) on investment securities, net of tax ...	260	60
Change in minimum pension liability, net of tax	—	10
Total comprehensive income	\$1,974	\$20,606

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

13. Earnings (loss) per share

The computation of basic and diluted earnings (loss) per share for the years ended December 31, 2007 and 2006, is as follows:

	Year Ended December 31,					
	2007			2006		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
(in thousands, except per share amounts)						
<u>Basic earnings (loss) per share</u>						
Income from continuing operations	\$ 2,665	11,108	\$ 0.24	\$ 737	12,749	\$ 0.06
Adjustments:						
Preferred stock dividends ...	(388)	11,108	(0.03)	(400)	12,749	(0.03)
Income attributable to common stock from continuing operations	2,277	11,108	0.21	337	12,749	0.03
Income (loss) from discontinued operations (a)....	(951)	11,108	(0.09)	19,799	12,749	1.55
Net income applicable to common stock.....	<u>\$ 1,326</u>	<u>11,108</u>	<u>\$ 0.12</u>	<u>\$20,136</u>	<u>12,749</u>	<u>\$ 1.58</u>
<u>Diluted earnings (loss) per share</u>						
Basic income from continuing operations	\$ 2,277	11,108	\$ 0.21	\$ 337	12,749	\$ 0.03
Effect of dilutive securities:						
Restricted stock plans	—	338			354	
Stock option plans	—	445			478	
Convertible preferred stock	388	9,125		400	9,483	
Income attributable to common stock from continuing operations and assumed conversions	2,665	21,016	0.13	\$ 737	23,064	\$ 0.03
Income (loss) from discontinued operations (a)..	(951)	21,016	(0.05)	19,799	23,064	0.86
Net income applicable to common stock.....	<u>\$1,714</u>	<u>21,016</u>	<u>\$ 0.08</u>	<u>\$20,536</u>	<u>23,064</u>	<u>\$ 0.89</u>

(a) - including gain on sale of Exeon of \$15,383 (net of tax) in 2006 (see Note 6).

Diluted earnings per share for the year ended December 31, 2007 excludes the effect of an average of 0.4 million stock shares related to stock options whose exercise price was higher than the average per share price of the Company's stock for 2007 because such effect would be anti-dilutive. Diluted earnings per share for the year ended December 31, 2006 excludes the effect of an average of 0.1 million restricted stock shares that may be vested in the future, because such effect would be anti-dilutive.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

14. 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 June 26, 2007, the Executive Compensation and Organization Committee of the Board of Directors (the "Compensation Committee") granted a total of 461,000 non-qualified options to four key executives of the Company. Additionally, on September 7, 2007, September 21, 2007 and October 9, 2007, the Compensation Committee granted 100,000, 5,000 and 10,000 non-qualified options, respectively, to certain employees of the Company's subsidiaries. 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. During 2007, 52,699 non-qualified stock options and 18,634 shares of restricted stock were granted to non-employee directors. All options and restricted stock granted during 2007 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.

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, 2007, there are 45,064 shares available for issuance. During the year ended December 31, 2007, the Executive Compensation and Organization Committee of the Board of Directors ("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 and shares of Common Stock issued upon stock option exercises, 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. On April 19, 2006, the Compensation Committee approved voluntary reductions in executive base compensation levels for calendar 2006 and awarded grants of 155,359 shares of restricted common stock from the Company's treasury stock to participating executives. All executives elected to defer the receipt of the shares under this plan. At December 31, 2007, 2,008,088 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 \$0.4 million and \$0.9 million as of December 31, 2007 and 2006, respectively. During 2007 no new deferrals were granted, 95,564 shares vested and 45,000 previously vested shares were certificated.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

14. Stock based compensation plans (Continued)

The following table summarizes restricted stock activity for the twelve month periods ended December 31, 2006 and 2005:

	<u>Deferred Stock Account Plan</u>		<u>Non-Employee Directors Plan</u>		<u>1984 Restricted Stock Plan</u>	
	Weighted Average Grant Date		Weighted Average Grant Date		Weighted Average Grant Date	
	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>	<u>Shares</u>	<u>Fair Value</u>
Nonvested balance at December 31, 2005	137,763	0.86	139,345	1.08	29,670	1.65
Granted	155,359	3.40	18,589	2.82	—	
Vested	(124,429)	0.86	(78,410)	0.63	(10,501)	1.46
Forfeited	—		—		(19,169)	1.76
Nonvested balance at December 31, 2006	168,693	\$3.20	79,524	\$1.92	—	
Granted	—		18,634	2.55	—	
Vested	(95,564)	3.05	(80,572)	1.96	—	
Forfeited	—		—		—	
Nonvested balance at December 31, 2007	<u>73,129</u>	<u>\$3.40</u>	<u>17,586</u>	<u>\$2.42</u>	<u>—</u>	
Unrecognized Compensation Costs	\$84,605		\$21,149		—	
Weighted Average Period Remaining	1.5	Years	2.0	Years	—	

Excluded from the table above are 530,756 and 563,590 shares as of December 31, 2007 and 2006, 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 is approximately \$0.3 million of unamortized compensation expense related to such matching contribution shares as of December 31, 2007 that is expected to be recognized over a weighted average period of 2.7 years.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

14. Stock based compensation plans (Continued)

The following table summarizes stock option activity for the twelve months ended December 31, 2007 and 2006.

	Shares Outstanding	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2005	1,295,793	\$1.17	7.32	\$2,174,812
Exercised	(244,035)	0.80		
Canceled	(104,173)	1.82		
Granted	44,436	2.85		
Outstanding at December 31, 2006	992,021	\$1.26	6.50	\$1,076,273
Exercised	(21,667)	0.76		
Canceled	(3,335)	0.76		
Granted	628,699	2.75		
Outstanding at December 31, 2007	<u>1,595,718</u>	\$1.86	7.08	\$1,453,709
Options exercisable at December 31, 2007	879,908	\$1.16	5.26	\$1,410,374

The weighted average grant-date fair value of options granted for the twelve month periods ended December 31, 2007 and 2006 was \$2.32 and \$2.58, respectively. The aggregate intrinsic value of options exercised for the twelve month period ended December 31, 2007 and 2006 was \$38,000 and \$585,000, respectively.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at December 31, 2007 is as follows:

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Of Options Exercisable	Weighted Average Exercise Price
\$0.450-\$0.650	180,040	5.20	\$ 0.6001	180,040	\$ 0.6001
\$0.76	333,851	5.47	\$ 0.7600	333,851	\$ 0.7600
\$0.875—\$2.700	1,025,237	8.06	\$ 2.2016	329,457	\$ 1.1521
\$3.100—\$9.813	45,384	5.73	\$ 4.3109	25,354	\$ 5.1996
\$10.438—\$17.938	11,206	1.56	\$13.3286	11,206	\$13.3286
	<u>1,595,718</u>	7.08	\$ 1.8574	<u>879,908</u>	\$ 1.1621

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R (revised 2004), "Share-Based Payment," ("SFAS 123(R)") which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. SFAS 123(R) supersedes the Company's previous accounting under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") for periods beginning in fiscal 2006.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

14. Stock based compensation plans (Continued)

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company's 2006 fiscal year. The Company's financial statements as of and for the twelve months ended December 31, 2006 reflect the impact of SFAS 123(R). In accordance with the modified prospective transition method, the Company's financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Total compensation expense related to all stock based compensation plans (including restricted stock) for the years ended December 31, 2007 and 2006, was \$1.0 and \$0.5 million, respectively. The incremental impact of adopting SFAS 123(R) included in the twelve month period ended December 31, 2006 was \$0.1 million.

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 21,667 and 244,035 options exercised during the twelve month periods ended December 31, 2007 and 2006, respectively. Cash received from option exercises under all share-based payment arrangements for the twelve month periods ended December 31, 2007 and 2006 was \$16,000 and \$188,000, 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>2007</u>	<u>2006</u>
Risk free interest rate	3.46%	4.71%
Expected life	2.0	2.0
Expected volatility	133%	140%
Expected dividend yield	0%	0%

15. Employee benefits

In conjunction with the sale of 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 an other long-term liability as of December 31, 2007 and 2006.

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, 2007 and 2006, were \$0.92 and \$0.87 million, respectively. There is an equal and offsetting liability included in accrued expenses as of December 31, 2007.

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

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

15. Employee benefits (Continued)

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, 2007 and 2006 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, 2007 and 2006 there were no amounts contributed to such plan.

16. Modified "Dutch Auction" Tender Offer

On March 1, 2006, Alpine commenced a modified "Dutch Auction" tender offer (the "Tender Offer") to purchase up to a maximum of 6 million shares plus, at its discretion, an additional number (the "overallotment") not to exceed 2% of its outstanding Common Stock at a price per share of not less than \$3.00 and not greater than \$3.50. On April 4, 2006, Alpine modified its offer to increase the maximum number of shares to be purchased to 6.5 million plus the overallotment and to extend to April 18, 2006 the Tender Offer expiration date. Following the expiration date, and pursuant to the terms and conditions of the Tender Offer, out of the 7,698,805 validly tendered shares of Common Stock, Alpine accepted and purchased a total of 6,684,670 shares at a purchase price of \$3.375 per share or approximately \$22.6 million. The shares purchased represented 37.3% of Alpine's outstanding Common Stock and 24.7% of such outstanding Common Stock assuming conversion of all of Alpine's outstanding Series A Preferred Stock.

17. 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 counter parties. The amount of such exposure is generally limited to the unrealized gains (losses) within the underlying contracts.

Commodity price risk management

The cost of copper, the Company's most significant raw material has been subject to significant volatility over the past several years.

During the fourth quarter 2006, the Company commenced purchasing copper rod for resale to SCL (see Note 1). At December 31, 2006 there was approximately \$30 million of copper rod inventory purchased for resale to SCL in early 2007. The Company entered into copper futures contracts to match that price to the sale period in which it is to be sold to SCL. Copper prices decreased between the time the copper was purchased and December 31, 2006 and therefore the Company recorded a \$1.6 million gain on the mark-to-market of the future contracts. This was credited to cost of sales during the fourth quarter of 2006. Since the inventory values related to these futures contracts decreased by a similar amount, the Company recorded a lower of cost or market adjustment to the inventory of \$1.6 million that was charged to cost of sales during the fourth quarter of 2006.

During the fourth quarter 2007, the Company commenced purchasing copper cathode and scrap for resale to Wolverine (see Note 1). At December 31, 2007 there was approximately \$23.0 million of copper cathode and scrap inventory purchased for resale to Wolverine in 2008. The Company entered into copper future contracts to match that price to the sale period in which it is sold to Wolverine. Since the purchase price approximated fair value, no adjustment to cost of sales was required. These contracts were liquidated in the first quarter of 2008.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

18. Commitments and contingencies

Total rent expense under cancelable and noncancelable operating leases was \$1.7 million and \$2.0 million during the years ended December 31, 2007 and 2006, respectively, of which approximately \$1.0 and \$1.7 million related to discontinued operations.

At December 31, 2007, future minimum lease payments under noncancelable operating leases are as follows:

<u>Year</u>	<u>(in thousands)</u>
2008.....	\$1,331
2009.....	799
2010.....	631
2011.....	523
2012.....	199
Thereafter	281

During 2007 and 2006 the Company sublet a portion of the only regional distribution center that remains from the former Exeon building wire discontinued operations. The Company received \$0.3 million and \$0.7 million of sublease income during 2007 and 2006, respectively. The sub-lessees at this facility gave notice in late 2007 of their intent to terminate their subleases in early 2008. No new tenant has been found as of March 31, 2008.

Approximately 18% of the Company's total labor force at December 31, 2007 was covered by collective bargaining agreements. Contracts covering the Company's unionized work force are due to expire in 2010. The Company considers relations with its employees to be satisfactory.

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.

The Company accepts certain customer orders for future delivery at fixed prices. As copper is the most significant raw material, the Company enters into forward purchase fixed price commitments for copper to match its cost to the value of the copper to be billed to the customers. At December 31, 2007 and 2006, the Company had approximately \$23.1 and \$21.2 million of copper futures contracts, respectively, representing 7.6 and 7.4 million copper pounds, respectively, outstanding as non-designated derivative instruments. These contracts were recorded at fair value at December 31, 2007 and 2006. See Note 17 for discussion of other derivatives utilized by the Company.

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 14), non-employee directors of the Company automatically receive 50% of the annual retainer in either restricted stock or stock

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

18. Commitments and contingencies (Continued)

options, as elected by the non-employee director. Each non-employee director may also elect to receive all or a portion of the remaining amount of the annual retainer, in excess of 50% of the annual retainer, in the form of restricted stock or stock options instead of in cash. 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.

Pursuant to a retirement benefit plan discontinued by the Company in 2001, a former non-employee director of the Company receives a retirement payment of \$10,000 per annum through 2013. The outstanding balance due as of December 31, 2007 was approximately \$45,000.

19. 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.

Alpine has made short-term advances to the United States subsidiary of SCL, secured by United States based inventory and accounts receivable, at an interest rate of LIBOR plus 1.4% per annum. As of December 31, 2006, all advances had been paid. In addition, as of December 31, 2006, Alpine had loaned \$3.3 million to SCL to augment its growth and working capital. This loan is subordinate to SCL's bank debt and bears interest at LIBOR plus 3.0% per annum which was 8.37% as of December 31, 2006. This loan was repaid in March 2007. Except for the foregoing advances, SCL's operations are self funded and financed by unaffiliated bank lenders on a non-recourse basis to Alpine.

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 (see Note 2). Exeon sales to SCL on a gross basis were \$39.4 and \$18.1 million for the years ended December 31, 2007 and 2006, respectively. The copper handling fee which represents the net sale that was recorded in accordance with EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent" (see Note 1) was \$142,000 and \$65,000 for the years ended December 31, 2007 and 2006, respectively.

SCL subleases approximately 25,000 square feet of warehouse space at the Company's McDonough, GA facility on a month-to-month basis that is cancelable by either party with 60 days notice. SCL paid the Company \$75,515 for this space during 2007 but gave notice and discontinued its sublease as of December 31, 2007.

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, 2007 was approximately \$114,000.

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, 2007 were approximately \$230,000 and \$618,000, respectively.

Pursuant to a retirement benefit plan discontinued by the Company in 2001, a former non-employee director of the Company receives a retirement payment of \$10,000 per annum through 2013. The outstanding balance due as of December 31, 2007 was approximately \$45,000.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

19. Related party transactions (Continued)

At December 31, 2007 and 2006, Alpine has outstanding loans to certain officers totaling \$207,000 and \$276,000, 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.

On August 8, 2006, the Company agreed to reschedule payment of three installments due an executive on account of a non-competition agreement with the Company. The three installments were originally payable in the amount of \$50,000 on December 31, 2006, September 30, 2007 and December 31, 2007. The installments were discounted at the prime rate and \$48,460 was paid on August 10, 2006 and \$94,513 on January 10, 2007, which was included in accrued liabilities at December 31, 2006.

20. Stockholder rights agreement

Under the Company's Stockholder Rights Plan, last amended in March 2003 ("the Plan"), a Preferred Share Purchase Right ("Right") is attached to each share of Common Stock pursuant to which the holder will, in certain takeover-related circumstances, become entitled to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of \$75.00, subject to adjustment, with each share having substantially the rights and preferences of 100 shares of Common Stock. The Rights will separate from the common shares after a person or entity or group of affiliated or associated persons (other than certain grandfathered persons) acquire beneficial ownership of 15% (or in the case of Steven S. Elbaum, 40%) or more of the outstanding common shares) or commence a tender offer that would result in a person or group acquiring, beneficial ownership of 15% or more of the outstanding common shares. Grants of stock options and restricted stock by the board of directors of the Company (and its committees) to its officers, will not by itself cause an officer to become an acquiring person. Also, in certain takeover-related circumstances, each Right (other than those held by an acquiring person) will be exercisable for shares of Common Stock or stock of the acquiring person having a market value of twice the exercise price. Once certain triggering events have occurred to cause the Rights to become exercisable, each Right may be exchanged by the Company for one share of Common Stock.

The Rights are redeemable at any time, prior to the time that a person becomes an acquiring person, by the Company before their expiration on February 17, 2009 at a redemption price of \$0.01 per Right. At December 31, 2007, 200,000 shares of Series A Junior Participating Preferred Stock were reserved for issuance under this Plan.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

21. Quarterly financial information (unaudited)

The Company's quarterly results of operations for the year ended December 31, 2007 and 2006 are as follows:

	2007				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales	\$11,047	\$ 12,545	\$15,094	\$14,874	\$53,560
Gross profit	394	963	1,010	3,011	5,378
Income (loss) from continuing operations	(256)	609	972	1,340	2,665
Income (loss) from discontinued operations	(174)	(213)	(408)	(156)	(951)
Net income (loss)	(430)	396	564	1,184	1,714
Net income (loss) per share of common stock – basic (a)					
From continuing operations, net of preferred dividends	(0.03)	0.05	0.08	0.09	0.21
From discontinued operations	(0.02)	(0.02)	(0.04)	(0.01)	(0.09)
Net income (loss)	(0.05)	0.03	0.04	0.08	0.12
Net income (loss) per share of common stock – fully diluted (a)					
From continuing operations	(0.03)	0.03	0.05	0.06	0.13
From discontinued operations	(0.02)	(0.01)	(0.02)	(0.01)	(0.05)
Net income (loss)	(0.05)	0.02	0.03	0.05	0.08
	2006				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales	\$ 4,774	\$ 5,783	\$8,313	\$4,232	\$23,102
Gross profit	150	(160)	127	98	215
Income (loss) from continuing operations	(600)	648	832	(143)	737
Income (loss) from discontinued operations (including gain on sale of Exeon of \$15,383, net of tax)	20,827	(519)	(128)	(381)	19,799
Net income (loss)	20,227	129	704	(524)	20,536
Net income (loss) per share of common stock – basic (a)					
From continuing operations, net of preferred dividends	(0.04)	0.04	0.06	(0.02)	0.03
From discontinued operations	1.27	(0.04)	(0.01)	(0.04)	1.55
Net income (loss)	1.23	—	0.05	(0.06)	1.58
Net income (loss) per share of common stock – fully diluted (a)					
From continuing operations	(0.04)	0.03	0.04	(0.02)	0.03
From discontinued operations	1.27	(0.02)	(0.01)	(0.04)	0.86
Net income (loss)	1.23	0.01	0.03	(0.06)	0.89

(a) 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.

/THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2007 and 2006

22. Subsequent Events

On January 25, 2008, the Company purchased 4,494 shares of Wolverine Tube, Inc. Series A 8% Convertible 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 Alpine's co-investor Plainfield Special Situations, dated January 31, 2007. Following this investment, Alpine owned 14.6% of Wolverine (on a fully diluted, as converted basis).

On March 20, 2008, Alpine purchased \$10 million of newly issued shares of Series B 8 ½ % Convertible Preferred Stock (the "Series B Preferred") of Wolverine. Dividends on the Series B Preferred, at an annual rate of 8 ½ %, are cumulative and payable quarterly on each January 31, April 30, July 31 and October 31. Wolverine is entitled to defer dividends on the Series B Preferred in certain circumstances at a higher dividend rate. Additionally, if by not later than June 30, 2008, Wolverine fails to register for resale the common stock into which the Series B Preferred stock is convertible, then the applicable dividend rate thereon 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%. The Series B Preferred stock votes on an as converted basis together with the Wolverine Series A 8% Convertible Preferred Stock on an as converted basis, and the Wolverine common stock on all matters. Following this investment, Alpine owns 22.4% of Wolverine (on a fully diluted, as converted basis).