

**The Alpine Group, Inc.**  
**Unaudited Financial Statements**  
**For the Quarterly Period Ended September 30, 2007**

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 962	\$ 1,586
Marketable securities, at fair value (Note 1).....	16,220	4,187
Restricted cash and marketable securities (Note 1).....	—	2,810
Other Investments (Note 1).....	9,474	9,474
Accounts receivable, trade.....	6,477	174
Accounts receivable, from affiliate (Note 1).....	122	4,192
Inventories, net (Note 2).....	4,166	35,925
Notes receivable from affiliate (Note 1).....	—	3,275
Current assets of discontinued operations (Note 5).....	906	2,037
Prepaid expenses, deposits and other current assets.....	2,605	4,261
Total current assets.....	40,932	67,921
Property, plant and equipment, net.....	780	352
Investments in affiliates (Note 3).....	28,392	11,796
Deferred tax assets.....	2,828	2,828
Goodwill and other intangible assets.....	588	—
Other assets.....	1,417	2,049
Total assets.....	\$74,937	\$84,946
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving credit facility (Note 6).....	\$ 1,079	\$ 1,128
Current portion of long-term debt.....	107	130
Accounts payable.....	4,552	13,057
Accrued expenses.....	4,111	3,326
Deferred income taxes and income taxes payable.....	11,366	12,691
Current liabilities of discontinued operations (Note 5).....	673	2,183
Total current liabilities.....	21,888	32,515
Long-term debt, less current portion.....	309	339
Other long-term liabilities (Note 7).....	1,351	19,176
Mandatorily redeemable series A cumulative preferred stock (12,222 and 12,303 shares outstanding at September 30, 2007 and December 31, 2006, respectively (Note 8)).....	4,605	4,635
Stockholders' equity.....	46,784	28,281
Total liabilities and stockholders' equity.....	\$74,937	\$ 84,946

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

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

	<b>Three Months Ended</b>	
	<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>
Net sales .....	\$15,094	\$8,313
Cost of goods sold.....	14,084	8,186
Gross profit.....	1,010	127
Selling, general and administrative expenses .....	1,749	1,021
Operating loss.....	(739)	(894)
Dividend, interest and other income, net.....	359	378
Loss before income taxes, equity in earnings of affiliate and discontinued operations .....	(380)	(516)
Income tax benefit.....	152	36
Loss before equity in earnings of affiliate and discontinued operations .....	(228)	(480)
Equity in earnings of affiliate.....	1,200	1,313
Income from continuing operations.....	972	833
Discontinued operations (Note 5):		
Loss from operations of discontinued operations.....	(681)	(215)
Income tax benefit.....	273	86
Loss from discontinued operations .....	(408)	(129)
Net income .....	564	704
Preferred stock dividends .....	(97)	(98)
Net income applicable to common stock.....	<u>\$ 467</u>	<u>\$ 606</u>
Net income (loss) per share of common stock (Note 10):		
Basic:		
Income from continuing operations applicable to common stock .....	\$ 0.08	\$ 0.07
Loss from discontinued operations, net of tax.....	(0.04)	(0.01)
Net income .....	<u>\$ 0.04</u>	<u>\$ 0.06</u>
Diluted:		
Income from continuing operations and assumed conversions.....	\$ 0.05	\$ 0.04
Loss from discontinued operations, net of tax.....	(0.02)	(0.01)
Net income .....	<u>\$ 0.03</u>	<u>\$ 0.03</u>
Weighted average shares outstanding:		
Basic.....	11,032	11,116
Diluted.....	20,905	21,087

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>
Net sales .....	\$38,686	\$18,870
Cost of goods sold.....	36,320	18,753
Gross profit.....	2,366	117
Selling, general and administrative expenses .....	5,366	3,268
Operating loss.....	(3,000)	(3,151)
Gain on sale of stock of affiliate .....	—	1,237
Dividend, interest and other income, net.....	902	1,219
Loss before income taxes, equity in earnings of affiliate and discontinued operations .....	(2,098)	(695)
Income tax benefit.....	839	263
Loss before equity in earnings of affiliate and discontinued operations .....	(1,259)	(432)
Equity in earnings of affiliate.....	2,583	1,313
Income from continuing operations.....	1,324	881
Discontinued operations (Note 5):		
Gain (loss) from operations of discontinued operations (including gain on sale of Exeon of \$25,639 in 2006).....	(1,326)	34,710
Income tax (provision) benefit.....	531	(14,531)
Income (loss) from discontinued operations .....	(795)	20,179
Net income .....	529	21,060
Preferred stock dividends .....	(292)	(303)
Net income applicable to common stock.....	\$ 237	\$20,757
Net income (loss) per share of common stock (Note 10):		
Basic:		
Income (loss) from continuing operations applicable to common stock .....	\$ 0.09	\$ 0.04
Income (loss) from discontinued operations (including gain on sale of Exeon Inc.), net of tax ....	(0.07)	1.52
Net income (loss).....	\$ 0.02	\$ 1.56
Diluted:		
Income (loss) from continuing operations and assumed conversions .....	\$ 0.06	\$ 0.04
Income (loss) from discontinued operations (including gain on sale of Exeon Inc.), net of tax ....	(0.03)	0.85
Net income (loss).....	\$ 0.03	\$ 0.89
Weighted average shares outstanding:		
Basic.....	11,128	13,272
Diluted.....	21,047	23,732

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

	Nine Months Ended September 30, 2007	
	Shares	Amount
9% cumulative convertible preferred stock:		
Balance at beginning of period.....	177	\$ 177
Balance at end of period.....	177	\$ 177
Common stock:		
Balance at beginning of period.....	26,665,817	\$ 2,667
Shares issued pursuant to Series A Preferred Stock conversion.....	60,183	6
Exercise of stock options.....	1,666	—
Balance at end of period.....	26,727,666	\$ 2,673
Capital in excess of par value:		
Balance at beginning of period.....		\$170,244
Compensation expense related to restricted stock and certain stock options, less vested shares released from Treasury.....		450
Shares issued pursuant to Series A Preferred Stock conversion.....		25
Exercise of stock options.....		1
Balance at end of period.....		170,720
Accumulated other comprehensive income:		
Balance at beginning of period.....		289
Change in unrealized gains on securities, (net of tax).....		61
Balance at end of period.....		350
Accumulated deficit:		
Balance at beginning of period.....		(28,691)
Adoption of FIN 48.....		17,785
Net income.....		529
Dividends on preferred stock.....		(292)
Balance at end of period.....		(10,669)
Treasury stock:		
Balance at beginning of period.....	(17,414,721)	(116,128)
Stock options and grants.....	(13,691)	(114)
Balance at end of period.....	(17,428,412)	(116,242)
Receivable from stockholders:		
Balance at beginning of period.....		(277)
Forgiveness of officer loans.....		52
Balance at end of period.....		(225)
Total stockholders' equity .....		\$ 46,784
Comprehensive income .....		\$ 590

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

	Nine Months Ended	
	September 30,	
	2007	2006
Cash flows from operating activities:		
Net income.....	\$ 529	\$ 21,060
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Gain on sale of Exeon Inc. assets.....	—	(25,639)
Depreciation and amortization.....	107	847
Compensation expense related to stock options and grants.....	657	449
Income taxes.....	(2,420)	2,663
Minority interest in income of subsidiary.....	—	1,617
Equity in earnings of affiliate.....	(2,583)	(1,313)
Realized gain on sale of stock of affiliate.....	—	(1,237)
Realized gains on investments in securities.....	—	(509)
Other.....	(11)	204
Changes in assets and liabilities, net of assets and liabilities acquired in business acquisition:		
Accounts receivable, net.....	(4,840)	66,466
Due from related party.....	4,070	—
Inventories, net.....	33,407	8,852
Other current and non-current assets.....	3,258	462
Accounts payable and accrued expenses.....	(9,291)	(34,580)
Other, net.....	—	481
Cash flows provided by operating activities.....	22,883	39,823
Cash flows from investing activities:		
Capital expenditures.....	(57)	(161)
Purchase of marketable securities.....	(46,287)	(106,862)
Proceeds from sale of assets.....	—	228
Proceeds from sale of marketable securities.....	37,173	85,689
Proceeds from (advances under) loans to affiliate.....	3,275	(3,685)
Acquisition of Posterloid.....	(2,924)	—
Proceeds from sale of Exeon Inc. assets, net of transaction costs.....	—	53,981
Proceeds from sale of stock affiliate.....	—	1,237
Purchase of minority interest and warrant.....	—	(8,500)
Investments in affiliates.....	(14,013)	(10,000)
Cash flows provided by (used for) investing activities.....	(22,833)	11,927
Cash flows from financing activities:		
Repayments under revolving credit facilities, net.....	(49)	(26,725)
Repayments of long-term borrowings.....	(65)	(2,563)
Purchase of treasury stock.....	(269)	—
Proceeds from exercise of stock options.....	1	186
Dividends on preferred stock.....	(292)	(302)
Common stock redemptions from Modified Dutch Auction.....	—	(22,561)
Cash flows used for financing activities.....	(674)	(51,965)
Net increase (decrease) in cash and cash equivalents.....	(624)	(215)
Cash and cash equivalents at beginning of period.....	1,586	642
Cash and cash equivalents at end of period.....	\$ 962	\$ 427
Supplemental disclosures:		
Cash paid for interest.....	\$ 282	\$ 449
Cash paid for income taxes, net.....	\$ 1,125	\$ 11,039

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**  
**(unaudited)**

**1. General**

***Basis of presentation and description of business***

The accompanying condensed consolidated unaudited financial statements represent the accounts of The Alpine Group, Inc. and, except as noted below, the consolidation of all of its majority-controlled subsidiaries (collectively "Alpine" or the "Company"). Synergy Cables Ltd. ("SCL"), a 52% owned subsidiary of the Company, is accounted for on 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% and in order to provide a more informative presentation of the Company's financial position and results of operations, including a consistent comparison with prior periods, the equity method is utilized in the unaudited financial statements presented herein.

Alpine is a holding company which over the recent past has owned and operated industrial and other manufacturing companies. At September 30, 2007 Alpine's operations consisted of its 52% ownership in SCL, an Israeli based producer of wire and cable products, Exeon Inc. ("Exeon"), formerly known as Essex Electric Inc., a wholly owned subsidiary primarily engaged in the business of copper scrap reclamation, Posterloid Corporation ("Posterloid"), a wholly owned subsidiary engaged in the design and manufacture of menu boards and signage for the food service industry and financial institutions (Note 4) and a 15% ownership investment (on a fully diluted basis) in Wolverine Tube, Inc. ("Wolverine"), a manufacturer of copper and copper alloy tubular products (Note 3). 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 these assets of Exeon were sold. This transaction is referred to herein as the "Exeon Sale" (see Note 5). A pretax gain of approximately \$25.6 million was recorded in the first quarter of 2006 related to this disposition. The results of operations for these sold operations of Exeon have been presented as discontinued operations for all periods contained herein.

***Marketable securities***

As of September 30, 2007 and December 31, 2006 the Company had approximately \$16.2 and \$7.0 million in marketable securities (of which \$2.8 million was restricted as of December 31, 2006 – see note below), respectively, virtually all of which was invested in money market funds or equivalent liquid investments. At both dates the cost approximated the current market value of the Company's marketable securities.

***Restricted cash and marketable securities***

Pursuant to the Exeon Sale (see Note 5), Exeon (and 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 is classified as restricted cash and marketable securities at December 31, 2006. Additionally, since the expiration of the restriction period was less than one year from the balance sheet date herein, it was classified as a current asset. Subsequent to July 31, 2007 these funds are no longer restricted.

***Other Investments***

As of September 30, 2007 and December 31, 2006, the Company had a \$9.5 million investment in a limited partnership investment fund which is accounted for on a cost basis due to the Company's less than 1% ownership interest in the partnership. Based upon the valuation of underlying assets owned by such limited partnership, the estimated fair value of the investment as of September 30, 2007 and December 31, 2006 was \$11.8 and \$10.6 million, respectively.

***Accounts receivable from affiliate***

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 this agreement Exeon purchased approximately \$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 approximately \$32 million SCL was contractually required to purchase and use in early 2007. As a result, inventories of the

Company at December 31, 2006 included \$32 million of copper rod purchased for resale to SCL. There was no inventory for resale to SCL as of September 30, 2007. There was \$4.2 million due from SCL included in accounts receivable from affiliate as of December 31, 2006. Nothing was due from SCL as of September 30, 2007.

***Notes receivable from affiliate***

During 2006 Alpine made demand loans to SCL bearing interest at LIBOR plus 3.0% per annum. At December 31, 2006 such loan balance was \$3.3 million. The loan was repaid in full during March 2007.

**2. Inventories**

At September 30, 2007 and December 31, 2006, the components of inventories were as follows:

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Raw materials .....	\$2,802	\$33,395
Work in process.....	364	3,671
Finished goods.....	1,819	842
Total gross inventories .....	<u>4,985</u>	<u>37,908</u>
Lower of cost or market adjustment.....	(819)	(1,620)
LIFO reserve.....	—	(363)
Inventories, net .....	<u>\$4,166</u>	<u>\$35,925</u>

The inventories shown above include \$3.4 and \$37.9 million of gross inventory as of September 30, 2007 and December 31, 2006, respectively, valued using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on actual inventory levels and costs at such time. Accordingly, interim LIFO calculations necessarily are made based on management's estimates of expected year-end inventory levels and costs. Therefore, such interim results are subject to adjustment in future periods to reflect final year-end LIFO inventory valuation.

**3. Investments in affiliates**

***Synergy Cables Ltd.***

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

On February 27, 2007, SCL, announced a public offering of units (“Units”) of its securities consisting of newly issued convertible and non-convertible bonds, warrants to purchase additional non-convertible bonds through three months following the offering date, and warrants to purchase common stock of SCL through March 2011. The Units offering was fully subscribed and consummated on March 18, 2007. Proceeds from the units offering totaled \$44 million. Contemporaneously with the Units offering, SCL announced an \$8.0 million rights offering to its existing common stockholders. The rights offering was fully subscribed and consummated on March 22, 2007. Alpine participated pro rata in the rights offering and purchased 14,668,519 SCL shares for an aggregate purchase price of \$4.0 million. The purchase price was paid by Alpine from proceeds of the repayment of working capital loans previously advanced by it to SCL in the aggregate principal amount of \$3.3 million, with the remainder of the purchase price being funded out of available cash.

As of September 30, 2007 the Company’s investment in SCL of \$18.4 million accounted for on the equity method, includes \$4.4 million of the Company’s share of SCL’s earnings since the time of the Company’s investment and had a fair market value of approximately \$24 million, based upon the shares owned by Alpine, the closing market price of SCL common stock on the Tel Aviv Stock exchange (TASE) and the exchange rate of the New Israeli Shekel to the US dollar as of that date.

### ***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 an 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 the three and nine month periods ended September 30, 2007 the Company recorded \$0.2 and \$0.5 million, respectively, as a credit against selling, general and administrative 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 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 waived all further adjustment in such dividend rate on account of such unsatisfied requirement. The Company has received \$0.4 million to date as of September 30, 2007 for its share of first and second quarter 2007 dividends. The Company has recorded \$0.2 and \$0.5 million, for the three and nine month periods ended September 30, 2007, including the third quarter dividend accrued but not paid, in dividend and interest income in the statement of operations. The Wolverine Preferred Stock will vote 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 15%.

On March 29, 2007 and October 18, 2007, Wolverine granted Alpine options under the Wolverine Tube, Inc. 2007 Non-Qualified Stock 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.

## **4. Acquisitions**

### ***Posterloid Corporation***

On February 23, 2007, Alpine, through its newly formed wholly owned subsidiary Alpine Signage Holdings Inc., acquired 100% of the capital stock of Posterloid Corporation (“Posterloid”) for a purchase price of \$2.9 million in cash plus a contingent payment of up to \$0.5 million subject to achievement by Posterloid of certain cumulative performance levels through February 2010. Alpine has guaranteed payment of such contingent obligation. Posterloid is a designer and manufacturer of menu boards and signage for the food service industry and financial institutions.

## **5. Discontinued operations**

On January 31, 2006, Exeon completed the sale of certain of its assets comprising its building wire business to Southwire Corporation. Exeon sold all of its building wire related inventory and prepaid assets and its Florence, Alabama manufacturing plant and equipment. In connection with such sale, Southwire assumed 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 aggregating \$55.6 million, which was paid in cash by Southwire at closing. At closing, Exeon repaid in full and terminated its revolving credit facility.

The assets and liabilities included in the condensed consolidated financial statements relating to the discontinued building wire operations of Exeon are as follows:

	<b>ASSETS</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>
(in thousands)			
Current assets:			
Accounts receivable.....		\$ —	\$ 156
Inventories.....		—	37
Assets held for sale.....		—	315
Other current assets.....		906	1,529
Total current assets.....		<u>\$906</u>	<u>\$ 2,037</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable.....		\$162	\$ 202
Accrued expenses.....		511	1,374
Deferred income taxes and income taxes payable.....		—	607
Total current liabilities.....		<u>\$673</u>	<u>\$ 2,183</u>
Net liabilities.....		<u>\$233</u>	<u>\$ (146)</u>

The revenues and pretax income included on the line “Income (loss) from discontinued operations” in the condensed consolidated financial statements contained herein related to the operations sold in the Exeon Sale are as follows:

	<b>Nine Months Ended September 30,</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
Net Sales.....	\$ —	\$60,066
Pretax income (loss).....	—	17,304

## 6. Revolving Credit Facility

On December 19, 2006, Exeon entered into a revolving credit facility agreement with a bank. Alpine has guaranteed all of Exeon’s obligations under such agreement. The agreement provides for maximum advances to Exeon from time to time outstanding thereunder of up to \$5 million. Borrowing availability under the agreement 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 point. The effective rate as of September 30, 2007 was 7.25%. Exeon’s obligations under the agreement are collateralized by the aforementioned accounts receivable and inventories as well as the other assets of Exeon’s scrap reclamation business including the property, plant and equipment located at the scrap processing facility in Jonesboro, Indiana. The agreement, which expires on May 14, 2008, provides for certain financial covenants typical to such facilities. As of September 30, 2007, \$1.1 million was outstanding under the loan agreement with borrowing availability of \$3.9 million.

## 7. Other long-term liabilities

At June 30, 2007 and December 31, 2006 other long-term liabilities consist of the following:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
(in thousands)		
Tax contingency reserve.....	\$ —	\$17,786
Other long-term liabilities.....	1,351	1,390
	<u>\$1,351</u>	<u>\$19,176</u>

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. 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 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 September 30, 2007.

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.

## 8. Series A Cumulative Convertible Preferred Stock

During 2003, Alpine completed the issuance and sale of 18,264 shares of a new issue of Series A Cumulative Convertible Preferred Stock (the "Series A Preferred Stock") to its directors, certain officers and shareholders for a purchase price of \$380 per share, or an aggregate of approximately \$6.9 million. 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 shares of Alpine common stock (par value \$0.10 per share (the "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 on August 24, 2004, the conversion rate increased to 743.01. Since the market price of the Common Stock on the subscription dates (June 23, 2003 and November 10, 2003) was higher than the original conversion price of \$0.55 per share, a beneficial conversion feature of \$3.8 million was recorded as a reduction to the mandatorily redeemable series A cumulative preferred stock line of the balance sheet with the offset to capital in excess of par.

The Company may cause conversion of the Series A Preferred Stock into Common Stock under specified circumstances. 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 (i) accrued and unpaid dividends and (ii) if the change of control occurs prior to December 31, 2007, all dividends that would be payable from the redemption date through December 31, 2007.

During the three month period ended September 30, 2007, 33 shares of the Series A Preferred Stock were converted into 24,519 shares of Common Stock. During the nine month period ended September 30, 2007, 81 shares of Series A Preferred Stock were converted into 60,183 shares of Common Stock.

## 9. Comprehensive income (loss)

The components of comprehensive income (loss) for the three and nine month periods ended September 30, 2007 and 2006 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)			
Net income (loss) .....	\$564	\$ 704	\$529	\$21,060
Change in unrealized gains (losses) on securities, net of tax .....	47	534	61	639
Comprehensive income (loss) .....	\$611	\$1,238	\$590	\$21,699

## 10. Earnings Per Share

The computation of basic and diluted income (loss) per share for the three month periods ended September 30, 2007 and 2006 is as follows:

	<u>Three Months Ended September 30,</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Net Income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>	<u>Net Income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>
<b><u>Basic earnings (loss) per share</u></b>						
Income from continuing operations .....	\$ 972	11,032	\$ 0.09	\$ 833	11,116	\$ 0.08
Adjustments:						
Preferred stock dividends .....	97	11,032	(0.01)	(98)	11,116	(0.01)
Income attributable to common stock from						
continuing operations .....	\$ 875	11,032	\$ 0.08	\$ 735	11,116	\$ 0.07
Loss from discontinued operations .....	(408)	11,032	(0.04)	(129)	11,116	(0.01)
Net income applicable to common stock per basic common share .....	<u>\$ 467</u>	<u>11,032</u>	<u>\$ 0.04</u>	<u>\$ 606</u>	<u>11,116</u>	<u>\$ 0.06</u>
<b><u>Diluted earnings (loss) per share</u></b>						
Income from continuing operations applicable to common stock .....	\$ 875	11,032	\$ 0.08	\$ 735	11,116	\$ 0.07
Effect of dilutive securities:						
Restricted stock plans .....	—	327		—	318	
Stock option plans .....	—	443		—	450	
Convertible preferred stock .....	97	9,103		98	9,203	
Income attributable to common stock from continuing operations and assumed conversions .....	\$ 972	20,905	\$ 0.05	\$ 833	21,087	\$ 0.04
Loss from discontinued operations .....	(408)	20,905	(0.02)	(129)	21,087	(0.01)
Net income applicable to common stock .....	<u>\$ 564</u>	<u>20,905</u>	<u>\$ 0.03</u>	<u>\$ 704</u>	<u>21,087</u>	<u>\$ 0.03</u>

**Nine Months Ended September 30,**

	2007			2006		
	<u>Net Income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>	<u>Net Income</u> <u>(loss)</u>	<u>Weighted</u> <u>Average</u> <u>Shares</u>	<u>Per Share</u> <u>Amount</u>
<b><u>Basic earnings (loss) per share</u></b>						
Income from continuing operations.....	\$ 1,324	11,128	\$ 0.12	\$ 881	13,272	\$ 0.06
Adjustments:						
Preferred stock dividends .....	(292)	11,128	(0.03)	(303)	13,272	(0.02)
Income attributable to common stock from						
continuing operations .....	\$ 1,032	11,128	\$ 0.09	\$ 578	13,272	\$ 0.04
Income from sale of Exeon Inc., net of tax.....	—	11,128	—	15,383	13,272	1.16
Income (loss) from discontinued operations .....	(795)	11,128	(0.07)	4,796	13,272	0.36
Net income applicable to common stock per						
basic common share .....	<u>\$ 237</u>	<u>11,128</u>	<u>\$ 0.02</u>	<u>\$20,757</u>	<u>13,272</u>	<u>\$ 1.56</u>
<b><u>Diluted earnings (loss) per share</u></b>						
Income from continuing operations applicable						
to common stock.....	\$ 1,032	11,128	\$ 0.09	\$ 578	13,272	\$ 0.04
Effect of dilutive securities:						
Restricted stock plans .....	—	334		—	370	
Stock option plans.....	—	454		—	501	
Convertible preferred stock .....	292	9,131		303	9,589	
Income attributable to common stock from						
continuing operations and assumed						
conversions.....	\$ 1,324	21,047	\$ 0.06	\$ 881	23,732	\$ 0.04
Net income from sale of Exeon .....	—	21,047	—	15,383	23,732	0.65
Income (loss) from discontinued operations .....	(795)	21,047	(0.03)	4,796	23,732	0.20
Net income applicable to common stock.....	<u>\$ 529</u>	<u>21,047</u>	<u>\$ 0.03</u>	<u>\$21,060</u>	<u>23,732</u>	<u>\$ 0.89</u>

The Company has excluded the assumed exercise of certain stock options (0.6 and 0.4 million for the three and nine month periods ended September 30, 2007, respectively) because the effect would be antidilutive.

## 11. Stock based compensation plans

During the quarter ended September 30, 2006, no options were granted under The Alpine Group, Inc.'s 1997 Stock Option Plan (the "1997 Plan"), which is the sole employee stock option incentive plan sponsored by Alpine. Moreover, 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 Common Stock or stock options in lieu of cash payment. During the third quarter of 2007, 11,952 non-qualified stock options and 5,116 shares of restricted Common 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 Common 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 September 30, 2007, there are 45,064 shares available for issuance. During the quarter ended September 30, 2007, 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 is 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 to participating executives. All executives elected to defer the receipt of the shares under this Plan. At September 30, 2007, 1,994,307 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 \$0.5 million and \$0.9 million as of September 30, 2007 and December 31, 2006, respectively.

The following table summarizes restricted stock activity for the nine month period ended September 30, 2007:

	Deferred Stock Account Plan		Non-Employee Directors Plan	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested balance at December 31, 2006 .....	168,693	\$ 3.20	79,524	\$ 1.92
Granted.....	—	—	6,845	2.10
Vested .....	(38,334)	2.53	(13,026)	0.95
Nonvested balance at March 31, 2007 .....	<u>130,359</u>	<u>3.40</u>	<u>73,343</u>	<u>2.11</u>
Granted.....	—	—	4,957	2.90
Vested .....	(43,452)	3.40	(13,026)	0.95
Nonvested balance at June 30, 2007 .....	<u>86,907</u>	<u>3.40</u>	<u>65,274</u>	<u>2.41</u>
Granted.....	—	—	5,116	2.81
Vested .....	—	—	(53,363)	2.44
Nonvested balance at September 30, 2007	<u>86,907</u>	<u>3.40</u>	<u>17,027</u>	<u>2.42</u>
Unrecognized Compensation Costs.....	\$131,325		\$20,320	
Weighted Average Period Remaining .....	1.8	Years	2.0	Years

Excluded from the table above are 541,090 and 563,590 shares as of September 30, 2007 and December 31, 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 expenses in the statement of operations. There is approximately \$0.4 million of unamortized compensation expense related to such matching contribution shares as of September 30, 2007 that is expected to be recognized over a weighted average period of 2.9 years.

The following table summarizes stock option activity for the nine month period ended September 30, 2007.

	Shares Outstanding	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2006 .....	992,021	\$ 1.26	6.50	\$1,076,273
Exercised .....	(1,666)	0.76		
Canceled .....	(3,335)	0.76		
Granted .....	15,994	2.10		
Outstanding at March 31, 2007 .....	1,003,014	\$ 1.28	6.31	\$1,902,492
Exercised .....	—	—		
Canceled .....	—	—		
Granted .....	472,582	2.85		
Outstanding at June 30, 2007 .....	1,475,596	\$ 1.78	7.32	\$1,722,672
Exercised .....	—	—		
Canceled .....	—	—		
Granted .....	116,952	2.49		
Outstanding at September 30, 2007 .....	<u>1,592,548</u>	\$1.83	7.28	\$1,387,424
Options exercisable at September 30, 2007 .....				

The weighted average grant-date fair value of options granted for the nine month period ended September 30, 2007 was 2.33. The aggregate intrinsic value of options exercised for the nine month period ended September 30, 2007 was \$2.14 per share.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at September 30, 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	5.45	\$ 0.60	180,040	\$ 0.60
\$0.76	353,852	5.73	\$ 0.76	353,852	\$ 0.76
\$0.875—\$2.700	1,002,066	8.27	\$ 2.20	321,681	\$ 1.12
\$3.100—\$9.813	45,384	5.98	\$ 4.31	25,354	\$ 5.20
\$10.438—\$17.938	11,206	1.81	\$13.33	11,206	\$13.33
	<u>1,592,548</u>	7.28	\$ 1.83	<u>892,133</u>	\$ 1.14

The Company accounts for employee and director stock options in accordance with Statement of Financial Accounting Standards No. 123 (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. Total compensation expense related to all stock based compensation plans (including restricted stock) for the nine month periods ended September 30, 2007 and 2006, was \$0.7 million and \$0.4 million, respectively.

There were 1,666 options exercised and 3,335 options cancelled during the nine month period ended September 30, 2007. Cash received from option exercises under all share-based payment arrangements for the nine month period ended September 30, 2007 was \$1,266. Cash received from option exercises for the nine month period ended September 30, 2006 was \$194,812.

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>Three months ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
Risk free interest rate	4.2%	4.6%
Expected life	2.0	2.0
Expected volatility	136%	145%
Expected dividend yield	0%	0%

## **12. Subsequent Events**

On December 7, 2007 Exeon, as supplier and Wolverine, as customer entered into a supply agreement ("Supply Agreement"), pursuant to which Exeon will procure and sell to Wolverine, and Wolverine will buy from Alpine, all of Wolverine's North American copper cathode and scrap requirements. Exeon will charge Wolverine a fee for such services which will include the carrying cost of working capital required to support the agreement.