

The Alpine Group, Inc.
Unaudited Condensed Consolidated Financial Statements
For the Quarterly Period Ended September 30, 2011 and 2010

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

	<u>September 30,</u>	<u>December 31,</u>
ASSETS	2011	2010
Current assets:		
Cash and cash equivalents.....	\$ 4,116	\$ 2,766
Marketable securities, at fair value (Note 1).....	1,296	1,507
Restricted cash (Note 1).....	4,160	6,931
Accounts receivable, trade	15,119	14,730
Accounts receivable, related party (Note 1).....	148	35
Income tax receivable	—	790
Inventories, net (Note 2)	25,303	28,420
Derivative assets (Note 6).....	10,220	3,575
Prepaid expenses, deposits and other current assets	2,849	2,610
Total current assets	63,211	61,364
Property, plant and equipment, net.....	551	547
Deferred income taxes.....	2,206	2,206
Goodwill.....	1,033	1,033
Other assets	1,479	1,559
Total assets	\$ 68,480	\$ 66,709
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility (Note 3)	\$ 14,899	\$ 18,814
Current portion of mandatorily redeemable series A convertible preferred stock (1,452 shares outstanding at September 30, 2011 and December 31, 2010, respectively).....	552	552
Cash deposit from related party (Note 1 and 6)	6,748	900
Accounts payable	8,988	7,137
Accounts payable related party (Note 1).....	2,850	5,361
Accrued expenses.....	3,737	3,801
Income tax payable	1,934	—
Derivative liabilities (Note 6).....	6,324	11,237
Deferred income taxes	6,443	5,253
Total current liabilities.....	52,475	53,055
Other long-term liabilities	1,234	1,280
Mandatorily redeemable series A convertible preferred stock (0 and 1,089 shares outstanding at September 30, 2011 and December 31, 2010, respectively) less current portion.....	—	408
Stockholders' equity:		
9% cumulative convertible preferred stock at liquidation value	177	177
Common stock, \$.10 par value; (50,000,000 shares authorized; 32,594,407 shares issued at September 30, 2011 and December 31, 2010)	3,259	3,259
Capital in excess of par value.....	174,193	174,243
Accumulated other comprehensive loss.....	(2,475)	(2,185)
Accumulated deficit	(43,840)	(46,972)
Treasury stock, at cost (17,742,754 and 17,748,622 shares at September 30, 2011 and December 31, 2010, respectively).....	(116,543)	(116,556)
Total stockholders' equity	14,771	11,966
Total liabilities and stockholders' equity.....	\$ 68,480	\$ 66,709

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Net sales	\$ 47,844	\$ 32,770	\$ 149,376	\$ 86,450
Cost of goods sold	40,736	33,580	139,434	83,799
Gross profit (loss).....	7,108	(810)	9,942	2,651
Selling, general and administrative expenses.....	1,170	1,012	3,853	3,678
Operating income (loss)	5,938	(1,822)	6,089	(1,027)
Interest expense	(327)	(280)	(948)	(733)
Dividend and interest income	13	41	50	79
Realized gains on sale of securities	30	13	103	117
Other income, net.....	1	36	29	37
Income (loss) before income taxes and equity in loss of affiliate ..	5,655	(2,012)	5,323	(1,527)
Income tax (provision) benefit	(2,256)	786	(2,129)	592
Income (loss) before equity in loss of affiliate	3,399	(1,226)	3,194	(935)
Gains (losses) related to equity in affiliates, net of tax	—	139	—	(195)
Net income (loss).....	3,399	(1,087)	3,194	(1,130)
Preferred stock dividends	(18)	(28)	(62)	(95)
Net income (loss) applicable to common stock	<u>\$ 3,381</u>	<u>\$ (1,115)</u>	<u>\$ 3,132</u>	<u>\$ (1,225)</u>
Net income (loss) per share of common stock: (Note 4)				
Basic	\$ 0.19	\$ (0.06)	\$ 0.18	\$ (0.07)
Diluted	\$ 0.19	\$ (0.06)	\$ 0.18	\$ (0.07)
Weighted average shares outstanding:				
Basic	17,443	17,328	17,419	17,329
Diluted.....	17,819	17,328	17,691	17,329
Net income (loss) per above.....	\$ 3,399	\$ (1,087)	\$ 3,194	\$ (1,130)
Other comprehensive income (loss)				
Change in unrealized losses on securities	(460)	123	(483)	(80)
Income tax benefit (net) related to items of other comprehensive loss	184	(49)	193	32
Other comprehensive income (loss), net of tax.....	<u>(276)</u>	<u>74</u>	<u>(290)</u>	<u>(48)</u>
Comprehensive income (loss)	<u>\$ 3,123</u>	<u>\$ (1,013)</u>	<u>\$ 2,904</u>	<u>\$ (1,178)</u>

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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, 2011	
	Shares	Amount
STOCKHOLDERS' EQUITY		
9% cumulative convertible preferred stock:		
Balance at beginning of period	177	\$ 177
<hr/>		
Common stock:		
Balance at beginning and end of period	32,594,407	3,259
<hr/>		
Capital in excess of par value:		
Balance at beginning of period		174,243
Compensation expense related to restricted stock and certain stock options, less vested shares released from treasury		(44)
Shares issued pursuant to series A preferred stock conversion		(6)
Balance at end of period		<u>174,193</u>
Accumulated other comprehensive loss:		
Balance at beginning of period		(2,185)
Change in unrealized losses on securities, (net of tax).....		(290)
Balance at end of period		<u>(2,475)</u>
Accumulated deficit:		
Balance at beginning of period		(46,972)
Net income		3,194
Dividends on preferred stock.....		(62)
Balance at end of period		<u>(43,840)</u>
Treasury stock:		
Balance at beginning of period	(17,748,622)	(116,556)
Stock options and grants	5,868	13
Balance at end of period	<u>(17,742,754)</u>	<u>(116,543)</u>
Total stockholders' equity		<u>\$ 14,771</u>

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

	Nine Months Ended	
	September 30,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 3,194	\$ (1,130)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	233	201
Compensation expense related to stock options and grants	(31)	108
Equity loss in affiliate.....	—	195
Realized gains on investment in securities.....	(103)	(117)
LIFO and lower of cost or market adjustments	553	2,271
Changes in assets and liabilities:		
Accounts receivable, net	(389)	(7,218)
Accounts receivable/payable affiliate and related party.....	(2,516)	1,348
Inventories (excluding LIFO and lower of cost or market reserves).....	2,564	(5,839)
Deposit from related party	5,741	—
Other current and non-current assets	(404)	109
Derivative assets and liabilities, net.....	(11,558)	2,483
Accounts payable and accrued expenses.....	5,881	7,297
Other, net.....	(46)	(83)
Cash flows provided by (used for) operating activities	3,119	(375)
Cash flows from investing activities:		
Capital expenditures.....	(103)	(91)
Purchase of marketable securities.....	(867)	(256)
(Increase) /decrease in restricted cash	2,772	(2,432)
Proceeds from sale of marketable securities.....	840	3,731
Loan to affiliate	—	(2,407)
Equity investment	—	(325)
Cash provided by (used for) investing activities	2,642	(1,780)
Cash flows from financing activities:		
Net borrowings under revolving credit facilities.....	(3,915)	7,151
Repayment of other short term borrowings.....	—	(1,802)
Repayment of long term debt	—	(29)
Purchase of treasury stock	—	(6)
Debt issuance costs	(32)	—
Preferred stock redemption	(414)	(463)
Dividends on preferred stock.....	(50)	(84)
Cash provided by (used for) financing activities	(4,411)	4,767
Net increase in cash and cash equivalents	1,350	2,612
Cash and cash equivalents at beginning of period.....	2,766	1,542
Cash and cash equivalents at end of period	\$ 4,116	\$ 4,154
Supplemental disclosures:		
Cash paid for interest.....	\$ 802	\$ 557
Cash paid (received) for income taxes, net.....	\$ (1,973)	\$ (7,688)

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

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011
(unaudited)

1. General

The accompanying condensed consolidated balance sheet as of December 31, 2010, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements include 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. As a result of the Company gaining control of SCL, business combination accounting should have been applied with respect to this investment. Additionally, thereafter, according to accounting principles generally accepted in the United States of America ("GAAP"), Alpine's financial statements are required to include the consolidation of SCL. SCL has not been consolidated, and for the reason discussed in the following sentence, such accounting has not been applied. Since the Company still intends to reduce its ownership of SCL to below 50%, the equity method has been utilized in the financial statements presented herein. After giving effect to options and warrants exercisable by third parties, the Company's fully diluted ownership in SCL would be approximately 42%. During the fourth quarter of 2009, Alpine's investment in SCL was written down to zero due to accumulated net losses at SCL exceeding the Company's equity investment. As discussed later in Note 1, in 2010 the Company made a cash loan to SCL in the amount of \$2.0 million, of which \$0.4 million was later sold to other parties. Consistent with its application of the equity method of accounting, the Company wrote off the net advance of \$1.5 million in the fourth quarter of 2010. In order to facilitate a more timely release of Alpine quarterly financial information, commencing with the first quarter of 2009, the Company began recording its share of SCL's earnings and other comprehensive income/(loss) ("OCI") on a one quarter lag. Alpine is not liable for any indebtedness or other liabilities of SCL. There were no differences between International Financial Reporting Standards ("IFRS") as used by SCL and GAAP as used by Alpine that would have a material effect on the results of operations of SCL.

These financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's December 31, 2010 Annual Financial Statements available on-line at "www.alpine-group.net/investorrelation.htm". In the opinion of management, all adjustments (consisting of only normal and recurring adjustments) necessary for a fair presentation have been included. The results for the three and nine month periods ended September 30, 2011 do not necessarily indicate the results that may be expected for the full year.

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 September 30, 2011 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 copper and other metal products wholesaling and selective retailing; and Posterloid Corporation ("Posterloid"), a wholly owned subsidiary engaged in the design and manufacture of menu boards and signage for the food service industry and financial institutions.

Fair Value of Financial Instruments

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

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

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

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

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011
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1. General (Continued)

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

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

Investments: The Company's marketable securities, consisting primarily of stocks and mutual funds, were classified as available for sale at September 30, 2011 and December 31, 2010 and carried at fair value. The fair value of such securities were \$1.3 and \$1.5 million as of September 30, 2011 and December 31, 2010, respectively, and were determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Derivatives: The derivative instruments consist primarily of copper and silver forward contracts representing copper pounds and silver troy ounces used to hedge related inventory and sales transactions (see Note 6). The fair value of the related derivative financial instruments was determined based upon prices obtained from various market exchanges (Level 2 inputs) as of the balance sheet dates herein.

Restricted cash

The Company is required to make certain margin deposits with its commodity brokers related to its derivative contracts used to hedge certain transactions (see Note 6). The deposits include both initial margin requirements and variation margin, to the extent that such variation results in a net loss position. The Company had total net deposits of \$4.2 and \$6.4 million as of September 30, 2011 and December 31, 2010, respectively. At December 31, 2010, there was also \$0.5 million included in restricted cash related to the sale of the investment in ZephRa Energy LLC ("Zephra"). The Company is required to maintain on deposit with a bank \$0.1 million of cash related to a lease of its New Jersey office, which is classified as other noncurrent assets, in the financial statements contained herein.

Revenue recognition and accounts receivable

Except for products bought and resold to Wolverine Tube, Inc. ("Wolverine") and SCL (see below), revenue on sales is recognized when the product is shipped to the customer, which is when title and risk of loss pass. Credit sales on open accounts are made to customers in the normal course of business. Management periodically reviews its accounts receivable and writes off any amounts deemed to be uncollectible. The Company provides an allowance for doubtful accounts when needed. At both September 30, 2011 and December 31, 2010 no allowance was required. The Company's price to the buyer is fixed and determinable based upon the price set forth in a written order from the customer.

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

Related party transactions - Wolverine

Wolverine is a global manufacturer of copper and copper alloy tube, fabricated products and metal joining products used in commercial and residential heating, ventilation and air conditioning, refrigeration, home appliances, industrial equipment, power generation, and petrochemicals and chemical processing. Through a series of investments made during 2007 and 2008, Alpine acquired a total of 24,494 and 927,235 shares of Wolverine preferred and common stock, respectively, for a total cost of \$25.2 million. However, due primarily to the global economic collapse towards the end of 2008 and the subsequent sluggish construction markets in 2009 and 2010, Wolverine announced on November 1, 2010 that it would be undertaking a financial restructuring and that it had reached an agreement in principle with holders of its 15% Senior Secured Notes due 2012 (the "Notes") on the terms of a financial restructuring of

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011
(unaudited)

1. General (Continued)

the company. To implement the restructuring, Wolverine and certain of its domestic subsidiaries filed Chapter 11 petitions in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to effectuate a prearranged Plan of Reorganization (as amended, the "Reorganization Plan") supported by holders of the Notes. Subject and pursuant to interim first day orders issued by the Bankruptcy Court, Wolverine as debtor in possession continued its ordinary course of business operations including payment of trade creditors and hedge counterparties, and performance under vendor and customer contracts including the WJT Toll Agreement, the Ardmore Toll Agreement and transactions under the Terms and Conditions (see Related Party Transactions Note 1 below). On June 28, 2011 the Reorganization Plan became effective and Wolverine emerged from bankruptcy. Pursuant to the Reorganization Plan, all existing Wolverine common and preferred stock (including options to acquire the same) was cancelled, and the holders of such stock, including Alpine, did not receive or retain any property on account of such stock. Prior to the bankruptcy Alpine accounted for Wolverine using the equity method of accounting and as a result of Wolverine's losses during 2008 and 2009, Alpine's investment was written down to zero by the end of 2009. Therefore, there was no additional impact on Alpine's stockholders' equity as a result of the bankruptcy.

Following its emergence from bankruptcy, on July 19, 2011 (the "grant date"), and pursuant to its 2011 Management Incentive Plan (the "MIP") Wolverine granted Alpine a non-qualified option to purchase at an exercise price of \$55.01 per share 40,719 shares of Wolverine common stock, par value \$0.01 per share (3.2% of the issued and outstanding common stock of Wolverine on a fully diluted basis). The options vest in equal annual installments of 33 1/3% over a three year period commencing with the grant date, are subject to acceleration upon the occurrence of certain events and exercisable until July 19, 2021. Additionally, on the above grant date, pursuant to the MIP Wolverine granted Alpine 40,719 restricted stock units (3.2% of the issued and outstanding common stock of Wolverine on a fully diluted basis) vesting in equal annual installments of 33 1/3% over a three year period commencing with the grant date, subject to acceleration upon occurrence of certain events. Unless payment is deferred by Alpine pursuant to the MIP and the granting agreement, Alpine is entitled to receive upon vesting of any restricted stock units one share of Wolverine common stock for each such vested restricted stock unit.

On September 21, 2011, Alpine purchased 4,209 shares of Wolverine common stock (0.3% of the issued and outstanding common stock of Wolverine) from an unrelated third party for a cash purchase price of \$0.1 million.

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 "Supply Agreement"). The Supply Agreement expired November 28, 2009, and since then through August 28, 2010, both parties continued the Supply Agreement arrangement on a month to month basis. On July 27, 2010, Exeon gave Wolverine notice that it would not extend the Supply Agreement beyond August 28, 2010. As of September, 2010, the parties agreed to terms and conditions for Wolverine to continue to purchase from Exeon its copper scrap and cathode requirements for its North American melting operations (the "Terms and Conditions"). Each sale and purchase transaction made in accordance with these Terms and Conditions constitutes a separate transaction. Exeon sales to Wolverine on a gross basis were \$52.5 and \$42.6 million for the quarters ended September 30, 2011 and 2010, respectively, and \$173.2 and \$125.8 million for the nine month periods ended September 30, 2011 and 2010, respectively. The copper handling fee which represents the net sale that was recorded in accordance with FASB ASC 605-45 was \$73,000 and \$111,000 for the quarters ended September 30, 2011 and 2010, respectively, and \$244,000 and \$373,000 for the nine month periods ended September 30, 2011 and 2010, respectively.

On February 16, 2007, Alpine and Wolverine entered into an agreement pursuant to which Alpine provided 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. Since March 2009, the agreement has been extended on a month to month basis. The Company recorded \$0.3 million for the quarters ended September 30, 2011 and 2010 and \$0.9 million for the nine month periods ended September 30, 2011 and 2010 as a credit against selling, general and administrative expenses related to management fees under such agreement. On June 28, 2011, as contemplated under Wolverine's Reorganization Plan, Alpine and Wolverine entered into an Amended and Restated Management Agreement (the "Restated Management Agreement"). Under the terms of the Restated Management Agreement, Alpine continues to provide to Wolverine the management and other services it previously provided in consideration of the same annual fee and expense reimbursement. Additionally, pursuant to the Restated Management Agreement, in the event of the sale or other disposition of all or substantially all of the capital stock or assets of Wolverine prior to June 28, 2014 (a "liquidity event"), Alpine would be entitled to receive (other than in circumstances where it has been terminated for

THE ALPINE GROUP, INC. AND SUBSIDIARIES
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1. General (Continued)

cause) a liquidity event payment equal to (i) 20% of the aggregate cash consideration attributable to such liquidity event in excess of \$70 million but less than \$120 million, plus (ii) 25% of such cash consideration in excess of \$120 million. The term of the Restated Management Agreement is for an initial period of three (3) years, thereafter it continues on a month-to-month basis until either party provides at least 30 days written notice of termination, and is subject to earlier termination for cause by either party or for any reason upon 90 days notice by Wolverine.

In December 2009, Exeon entered into a toll manufacturing agreement (“WJT Toll Agreement”) with Wolverine Joining Technologies (“WJT”), a wholly-owned subsidiary of Wolverine. WJT currently also provides toll manufacturing services to other customers. Under the WJT Toll Agreement, which became effective on November 30, 2009, Exeon provides raw materials (principally metals, including silver, copper, tin and zinc) to WJT which WJT uses to manufacture products for Exeon’s sale to customers. WJT acts as sales agent for Exeon and markets and sells Exeon’s finished goods. In addition, WJT provides certain related administrative services. In consideration of the foregoing, Exeon pays WJT a monthly toll service fee of \$4.45 per pound for products shipped. The toll services fee is adjusted periodically, if necessary. The effective fee charged for the quarters ended September 30, 2011 and 2010, respectively, was \$6.27 and \$5.04 and for the nine month periods ended September 30, 2011 and 2010, respectively, was \$6.47 and \$4.96. The WJT Toll Agreement provides for an initial term of three years, which is automatically renewed for successive twelve month periods, unless either party, upon ninety days prior notice, terminates the agreement. Additionally, during the term either party may terminate the WJT Toll Agreement upon thirty days notice. The WJT Toll Agreement also contains other terms and conditions customary for agreements of this type including: confidentiality requirements, limited warranties, and indemnifications between the parties. Exeon was charged \$5.6 and \$4.3 million in toll service fees during the quarters ended September 30, 2011 and 2010, respectively, and \$17.2 and \$11.5 million in toll service fees during the nine month periods ended September 30, 2011 and 2010, respectively, of which \$1.9 and \$2.1 million were unpaid as of September 30, 2011 and 2010, respectively. In addition Exeon purchased approximately \$3.2 million of inventory from WJT during the nine months ended September 30, 2010, at the time of and in connection with the implementation of the toll arrangement between the parties.

Effective August 21, 2010, Alpine entered into a toll manufacturing agreement (“Ardmore Toll Agreement”) with Wolverine. Under the Ardmore Toll Agreement Alpine purchases and provides to Wolverine the raw materials (principally metals, including copper and aluminum) which Wolverine uses to manufacture product at its Ardmore facility and, as sales agent for Alpine, sells the finished products to customers. In addition, Wolverine provides certain related administrative services. In consideration of the forgoing, Alpine pays Wolverine a monthly toll service fee of \$1.34 per pound of products shipped. The toll service fee is adjusted periodically, if necessary. The effective fee charged for the quarter and nine months ended September 30, 2011 was \$1.17 and \$1.10, respectively. The initial term of the Ardmore Toll Agreement is one year; however, it can be renewed by mutual agreement between the parties. Additionally, during the term either party can terminate the Ardmore Toll Agreement upon 10 days written notice. Other terms and conditions customary for agreements of this type such as confidentiality requirements, limited warranties and indemnifications between the parties are included in the Ardmore Toll Agreement. Alpine was charged toll service fees of \$0.9 million and \$2.7 million for raw material inventory purchases related to the Ardmore Toll Agreement during the quarter and nine month period ended September 30, 2011, respectively, of which \$0.6 million was unpaid as of September 30, 2011.

Both the WJT Toll Agreement and the Ardmore Toll Agreement were assumed by Wolverine pursuant to the Reorganization Plan and continued in effect pursuant to their respective terms as of September 30, 2011. By agreement between the respective parties thereto as of November 1, 2011, the Terms and Conditions and aforementioned Toll Agreements were terminated. (See Note 7 – Subsequent Event)

Related party transactions – SCL

In accordance with a management agreement between Alpine and SCL, Alpine charges SCL a monthly management fee. The amount recorded for the three month and nine month periods ended September 30, 2011 was \$37,500 and \$112,500, respectively. The amount recorded for the three and nine month periods ended September 30, 2010 was \$361,000 and \$391,000, respectively. In connection with SCL’s refinancing of its indebtedness in 2010 (see discussion below - Note 1 – SCL convertible loan) SCL’s lenders required, and Alpine agreed, that cash payment of management fees to Alpine would be suspended and accrued through August 2013 and thereafter, payment of such

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2011
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1. General (Continued)

management fees are subject to SCL's achievement of certain financial results, which Alpine considers achievable and therefore continues to accrue such fees. The accrued unpaid management fees were \$147,500 and \$35,000 at September 30, 2011 and December 31, 2010, respectively.

SCL convertible loan

As part of a refinancing by SCL of certain indebtedness, on August 30, 2010, Alpine loaned SCL NIS 8.819 million (US \$2.3 million) (the "Convertible Loan"), comprised of (i) NIS 7.5 million (US \$2.0 million) in cash, and (ii) the consolidation of NIS 1.319 million (US \$0.3 million) in accrued and unpaid management fees due Alpine from SCL. The Convertible Loan is evidenced by SCL's note in like principal amount to the order of Alpine (the "Convertible Loan Note"). The outstanding principal amount of the Convertible Loan accrues interest at the rate of 10% per annum from August 30, 2010 until the earlier of conversion into ordinary shares of SCL or repayment. Interest is payable in cash quarterly in arrears, unless such payment is restricted under the terms of the "Senior Indebtedness" of SCL referred to below, in which case such interest is paid by issuance of payment in kind notes to Alpine in the principal amount of the interest due and otherwise substantially identical to the Convertible Loan Note. The outstanding principal amount and unpaid interest under the Convertible Loan are linked to the Israel Consumer Price Index to adjust for inflation. The Convertible Loan (other than any portion thereof attributable to such linkage adjustment) is convertible into ordinary shares of SCL at the conversion rate of NIS 0.145 per share. On September 30, 2011, the market value of SCL ordinary shares on the Tel Aviv Stock Exchange was NIS 0.111 per share. Unless previously accelerated as a result of default, the maturity date of the Convertible Loan is December 1, 2017. The Convertible Loan is subordinate to SCL's senior indebtedness as of August 30, 2010, including NIS 78 million (US \$21.3 million) due to SCL's principal bank lenders and NIS 143 million (US \$39.0 million) due to the holders of its Series A and Series B Notes (collectively, the "Senior Indebtedness"). On November 17, 2010, Alpine sold an aggregate of NIS 1.62 million (US \$0.4 million) of the Convertible Loan to three unrelated investors, which resulted in Alpine owning NIS 7.199 million (US \$2.1 million) of the Convertible Loan as of September 30, 2011. Consistent with its application of the equity method of accounting, the Company wrote off the net advance of \$1.5 million in the fourth quarter of 2010.

Accounts receivable/payable, related party

Alpine had a total of \$9.6 and \$6.2 million due to Wolverine at September 30, 2011 and December 31, 2010, respectively, related to certain toll agreements and to hedge deposits and realized hedge gains due Wolverine arising under hedge contracts that matured during June 2011 and which were entered into pursuant to the master hedging arrangement between Exeon and Wolverine.

Equity accounting for earnings (losses) of affiliates

Alpine uses the equity method to account for its investments in affiliates. Because the results of operations for these companies are not always available and/or released to the public when Alpine is ready to release its quarterly results, the Company has elected to report its share of affiliate income (loss) and OCI on a one quarter lag basis. The third and fourth quarter results of affiliates are recorded in the fourth quarter for Alpine so that the full year audited financial statements reflect Alpine's share of the full year audited results of its affiliates.

As stated previously in Note 1, SCL is accounted for using the equity method and in accordance with the aforementioned quarter lag accounting, Alpine's share of SCL's first two quarters of 2011 net income was \$1.4 million; however since Alpine's net investment in SCL was still in a cumulative loss position of \$4.6 million after taking into effect the \$1.4 million, there was nothing recorded in Alpine's third quarter 2011 statement of comprehensive income (loss). SCL's second quarter 2011 change in OCI and its resultant impact on Alpine was negligible. As also stated in Note 1, since the Company's investment was written down to zero during the fourth quarter of 2009 and since SCL continued to incur losses during its first quarter of 2010, the Company made no adjustment related to the equity accounting for SCL during the first nine months of 2010.

Guarantees

Since 1993, Alpine has been a party to a guaranty of obligations of a former affiliate, under a lease by such former affiliate of a manufacturing facility in Brownwood, Texas. The lease provides for monthly payments of \$56,000 subject to adjustments for changes in

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1. General (Continued)

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 \$4.9 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.

Under the provisions of the Revolving Credit Facility (see Note 3), Alpine and its wholly owned subsidiary Alpine Holdco Inc., have unconditionally committed to make or cause to be made under certain circumstances either (1) an equity contribution or (2) a subordinated loan to Exeon, the borrower under the Revolving Credit Facility, in an aggregate amount not to exceed \$2.5 million.

2. Inventories

At September 30, 2011 and December 31, 2010, the components of inventories were as follows:

	September 30, 2011	December 31, 2010
	(in thousands)	
Raw materials.....	\$ 6,653	\$ 10,672
Work in process	15,274	12,852
Finished goods.....	10,142	11,659
Total gross inventories	32,069	35,183
LIFO reserve.....	(6,766)	(6,763)
Inventories, net	\$ 25,303	\$ 28,420

The inventories shown above include \$29.9 and \$32.3 million of gross inventory as of September 30, 2011 and December 31, 2010, 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.

3. Revolving Credit Facility

On December 21, 2009, Exeon entered into a Revolving Credit Facility with PNC Bank, National Association (“PNC”). The terms of the Revolving Credit Facility initially provided for a maximum borrowing limit of \$15 million when first entered into in December 2009, which was increased successively to \$20 million, \$25 million and \$30 million as of September 30, 2010, December 31, 2010 and April 29, 2011, respectively. Borrowing availability is determined by reference to a borrowing base that permits advances to be made at various net valuation rates against various assets of Exeon. Interest is payable monthly in arrears and is based at Exeon’s option of LIBOR or bank rates plus, in each instance, a fixed margin. The weighted average interest rate at September 30, 2011 and December 31, 2010 was 4.7% and 4.8%, respectively. The Revolving Credit Facility provides for maintenance of financial covenants and ratios relating to minimum fixed charge coverage and quarterly net income and includes restrictions on mergers, acquisitions, sale of assets, capital expenditures, payment of cash dividends and incurrence of indebtedness. Exeon was in compliance with all applicable covenants at September 30, 2011 and December 31, 2010. The Revolving Credit Facility is collateralized by substantially all of Exeon’s tangible and intangible assets. At September 30, 2011 and December 31, 2010, Exeon had \$12.1 million and \$3.2 million of availability, respectively, under the Revolving Credit Facility. Under provisions of the Revolving Credit Facility Alpine and its wholly owned subsidiary Alpine Holdco Inc. have committed under certain circumstances to make additional capital contributions to Exeon up to a maximum amount of \$2.5 million (see Note 1).

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3. Revolving Credit Facility (Continued)

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

4. Earnings Per Share

The computation of basic and diluted earnings (loss) per share for the three and nine month periods ended September 30, 2011 and 2010 is as follows:

	<u>Three Months Ended September 30,</u>					
	<u>2011</u>			<u>2010</u>		
	<u>Net Income</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>	<u>Net Loss</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>
<u>Basic earnings (loss) per share</u>						
Net income (loss).....	\$ 3,399	17,433	\$ 0.19	\$ (1,087)	17,328	\$ (0.06)
Adjustments:						
Preferred stock dividends.....	(18)	17,433	0.00	(28)	17,328	0.00
Net income (loss) applicable to common stock..	<u>\$ 3,381</u>	<u>17,433</u>	<u>\$ 0.19</u>	<u>\$ (1,115)</u>	<u>17,328</u>	<u>\$ (0.06)</u>
<u>Diluted earnings (loss) per share</u>						
Net income (loss) applicable to common stock..	\$ 3,381	17,624	\$ 0.19	\$ (1,115)	17,328	\$ (0.06)
Effect of dilutive securities:						
Preferred stock conversion.....	18	195	0.00			
Net income (loss) applicable to common stock with assumed conversions	<u>\$ 3,399</u>	<u>17,819</u>	<u>\$ 0.19</u>	<u>\$ (1,115)</u>	<u>17,328</u>	<u>\$ (0.06)</u>
	<u>Nine months Ended September 30,</u>					
	<u>2011</u>			<u>2010</u>		
	<u>Net Income</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>	<u>Net Loss</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>
<u>Basic earnings (loss) per share</u>						
Net income (loss).....	\$ 3,194	17,419	\$ 0.18	\$ (1,130)	17,329	\$ 0.07
Adjustments:						
Preferred stock dividends.....	(62)	17,419	0.00	(95)	17,329	0.00
Net income (loss) applicable to common stock..	<u>\$ 3,132</u>	<u>17,419</u>	<u>\$ 0.18</u>	<u>\$ (1,225)</u>	<u>17,329</u>	<u>\$ (0.07)</u>
<u>Diluted earnings (loss) per share</u>						
Net income (loss) applicable to common stock..	\$ 3,132	17,555	\$ 0.18	\$ (1,225)	17,329	\$ (0.07)
Effect of dilutive securities:						
Preferred stock conversion.....	62	136	0.00			
Net income (loss) applicable to common stock with assumed conversions	<u>\$ 3,194</u>	<u>17,691</u>	<u>\$ 0.18</u>	<u>\$ (1,225)</u>	<u>17,329</u>	<u>\$ (0.07)</u>

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4. Earnings Per Share (Continued)

The Company has excluded the assumed exercise of certain stock options (2.7 million) and vesting of restricted stock grants (0.1 million) from the Company's earnings per share calculation for the nine month period ended September 30, 2010, as the impact for the period would be anti-dilutive due to the net loss for the period.

5. Stock-based compensation plans

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

The 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. However the Director Plan was amended commencing in 2009, so that 50% of the total annual non-employee director compensation automatically is paid in cash and the remaining 50% is paid in the form of restricted stock and/or

stock options as selected by each non-employee director. During the quarter ended September 30, 2011, 106,559 non-qualified stock options were granted to non-employee directors. There was no restricted stock elected or granted under the Director Plan for either period. During the quarter ended September 30, 2010, 176,780 non-qualified stock options were granted to non-employee directors. All options granted during 2011 and 2010 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 September 30, 2011, there were 45,064 shares available for issuance. During the quarter ended September 30, 2011, the Compensation Committee granted no new shares under this plan. Shares of restricted Common Stock granted under this Plan vest in equal installments over a three year period commencing with the first anniversary of grant.

Alpine sponsors The Alpine Group, Inc. Deferred Stock Account Plan, an unfunded deferred stock compensation plan whereby certain key management employee participants are permitted to (i) defer the receipt of all, or a portion, of their non-cash salary or bonus, as defined by the plan and (ii) reinvest deemed cash dividends allocable to Common Stock credited to a participant's account under the plan into additional deferred Common Stock. The plan also provides for Company matching contributions of Common Stock of either 25% or 50%, depending upon period of deferral, applied to shares of Common Stock deferred therein. The compensation cost associated with the Company matching contributions is amortized over the period of the deferral in respect of which it may be earned. Shares deferred into the Deferred Stock Account Plan are held in irrevocable grantor trusts. At September 30, 2011, 2,591,303 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 zero and \$16,000 as of September 30, 2011 and December 31, 2010, respectively. During the first nine months of 2011 no new deferred shares were granted, or vested and no previously vested shares were certificated or distributed. During the first quarter of 2011, one executive elected to further extend deferrals previously made. No further deferrals were made in the second or third quarters of 2011.

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5. Stock-based compensation plans (Continued)

The following table summarizes restricted stock activity for the three month periods ended March 31, June 30 and September 30, 2011:

	<u>Non-Employee Directors Plan</u>	
	Shares	Weighted Average Grant Date
Nonvested balance at December 31, 2010	9,672	\$ 2.41
Vested.....	(1,750)	2.50
	<hr/>	
Nonvested balance at March 31, 2011	7,922	2.39
Vested.....	(2,083)	2.10
	<hr/>	
Nonvested balance at June 30, 2011	5,839	\$ 2.49
Vested.....	(2,035)	\$ 2.15
Nonvested balance at September 30, 2011.....	<hr/> <u>3,804</u>	<hr/> <u>\$ 1.15</u>
Unrecognized Compensation Costs.....	\$ 0	
Weighted Average Period Remaining	0.0 years	

Excluded from the table above are zero and 54,847 shares as of September 30, 2011 and December 31, 2010, respectively, that represent future Company matching contributions being earned on account of shares deferred by participants in the Deferred Stock Account Plan. Under the plan, the number of matching shares contributed by the Company varies based upon the length of the deferral period(s) selected by plan participants and the contribution is earned upon expiration of the related deferral period(s). The amortization of the cost associated with matching contribution shares is, and has been, included in the compensation expense of the Company, all of which is included in selling, general and administrative expenses in the statement of operations. There was no remaining unamortized compensation expense related to such matching contribution shares as of September 30, 2011.

The following table summarizes stock option activity for all Plans for the three month periods ended March 31, June 30 and September 30, 2011:

	Shares Outstanding	Weighted- Average Exercise Price	Weighted Average Remaining Contractual	Aggregate Intrinsic Value
			Terms (in years)	
Outstanding at December 31, 2010	2,840,819	\$ 1.27	6.20	\$ 110,598
Canceled	(11,425)	1.81		
Granted	75,282	0.39		
	<hr/>			
Outstanding at March 31, 2011	2,904,676	\$ 1.25	6.07	\$ 1,768
Canceled	(10,085)	1.73		
Granted	151,222	0.18		
	<hr/>			
Outstanding at June 30, 2011	3,045,813	\$ 1.19	6.04	\$ 8,328
Canceled	(11,949)	1.73		
Granted	106,559	0.25		
	<hr/>			
Outstanding at September 30, 2011.....	<hr/> <u>3,140,423</u>	<hr/> <u>\$ 1.16</u>	<hr/> <u>6.02</u>	<hr/> <u>\$ 27,420</u>
Options exercisable at September 30, 2011.....	1,710,586	\$ 1.79	3.85	—

There were no options exercised during the nine month periods ended September 30, 2011 and 2010, respectively.

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5. Stock-based compensation plans (Continued)

The weighted average grant-date fair value of options granted for the three month periods ended September 30, 2011 and 2010 was \$0.18 and \$0.11, respectively.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at September 30, 2011 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
\$0.17 - \$0.65	1,474,143	7.73	\$ 0.32	180,040	\$ 0.60
\$0.76	333,851	1.72	0.76	333,851	0.76
\$0.80 - \$2.90	1,305,628	5.04	2.16	1,169,894	2.24
\$3.10 - \$3.27	26,801	4.16	3.16	26,801	3.16
	<u>3,140,423</u>	5.95	\$ 1.16	<u>1,710,586</u>	\$ 1.79

The Company accounts for stock options using the provisions of ASC 718 “Compensation-Stock Compensation” which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors based on estimated fair values. Total compensation expense related to all stock-based compensation plans (including restricted stock) for both the nine months ended September 30, 2011 and 2010, was \$0.0 million.

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

The following assumptions were used for each respective period:

	<u>nine months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
Risk free interest rate	1.80%	1.01%
Expected life (years)	5.0	5.0
Expected volatility	95.5%	81.1%
Expected dividend yield	0%	0%

6. 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 metals forward price contracts, and metals futures contracts but the Company does not anticipate nonperformance by any of these counterparties. The Company is required by its brokers to make initial margin deposits based upon the net positions outstanding on a daily basis. In addition, the Company generally sends or receives cash to / from the brokers daily based upon the variation in metal prices and the Company’s net position at the time to cover the variation margin on account. The net amount on deposit at the brokers was \$4.2 and

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6. Derivative financial instruments and fair value information - Continued

\$6.4 million as of September 30, 2011 and December 31, 2010, respectively, and is included in Restricted cash. (At December 31, 2010, there was also \$0.5 million included in restricted cash related to the sale of the investment in Zephra.) As of September 1, 2010

Exeon and Wolverine entered into a master hedging arrangement, whereby the hedge contracts entered into by Exeon with its commodity brokers on behalf of and for the benefit of Wolverine under the since terminated Supply Agreement were matched by respective mirror image contracts with Exeon. The arrangement provides for the parties to pay or refund margin obligations to the extent that Exeon pays or is refunded such obligations to / from its broker. The amount of such exposure is generally limited to the unrealized gains (losses) within the underlying contracts. At September 30, 2011, Wolverine had \$6.7 million of such deposits on account at Exeon, which consisted of \$5.1 million of variation margin and \$1.6 million of initial margin. At December 31, 2010, since the fair market value of copper exceeded the weighted average value of the long positions, no deposit for variation margin was required from Wolverine; however, there was \$0.9 million of initial margin on deposit as of such date. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Commodity price risk management

Copper

Under the aforementioned arrangement between Exeon and Wolverine, the parties attempt to hedge firm price commitments to and from Wolverine's customers by placing firm price commitment orders with Exeon, which in turn places mirror image forward contract orders with its commodity broker so as to fix the price agreed to with Wolverine. There were 7.9 and 4.6 million copper pounds committed under such arrangement as of September 30, 2011 and December 31, 2010, respectively. The Company also uses derivative instruments to hedge the inventory purchases related to the copper products sold to Wolverine under the Terms and Conditions mentioned in Note 1 and copper products (and to a limited extent Tin) for use in raw materials purchased and finished goods arising under the WJT Tolling Agreement and the Ardmore Toll Agreement (see Note 1). There was a total of 2.1 and 3.3 million net copper pounds that were hedged related to these agreements as of September 30, 2011 and December 31, 2010, respectively, which served to hedge the outstanding inventory as of those dates.

For the Company's scrap reclamation business, most of the products are copper-based and the Company attempts to match its copper purchases and sales with the spot COMEX price used in pricing the purchase or sale with the vendor or customer, respectively. There were 1.1 and 1.7 million net copper pounds that were hedged under this arrangement as of September 30, 2011 and December 31, 2010, respectively, which served to hedge the outstanding inventory as of those dates.

The Company also treats as derivative instruments purchases from vendors or sales to customers for which there is a firm copper price established. There were 0.9 and 2.1 million net long copper pounds related to such commitments as of September 30, 2011 and December 31, 2010, respectively.

Silver

In conjunction with the WJT Toll Agreement (see Note 1), in December 2009 the Company began hedging the silver inventory that is owned by the Company to support future product sales. The Company enters into commodity forward contracts to sell silver in order to protect the value of the silver carried in inventory from future price decreases. There were 0.6 and 0.6 million net short silver troy ounces that were hedged under this arrangement as of September 30, 2011 and December 31, 2010, respectively, which served to hedge the outstanding inventory as of those dates.

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6. Derivative financial instruments and fair value information - Continued

The fair value of the Company's derivative instruments as of September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011			
	Asset		Liability	
	Net Position*	Derivatives Fair Value	Net Position*	Derivatives Fair Value
Derivatives not designated as hedging instruments				
Commodity Contracts				
Copper – Broker	2.2 S	\$ 1.7	6.9 L	\$ (5.9)
Copper – Affiliate	7.9 S	5.9	0.3 S	—
Copper – Vendor / customer	—	—	0.9 L	(0.4)
Silver - Broker	0.6 S	2.6	—	—
Total		<u>\$ 10.2</u>		<u>\$ (6.3)</u>
	December 31, 2010			
	Asset		Liability	
	Net Position*	Derivatives Fair Value	Net Position*	Derivatives Fair Value
Derivatives not designated as hedging instruments				
Commodity Contracts				
Copper – Broker	4.6 L	\$ 2.8	4.4 S	\$ (2.1)
Copper – Affiliate	—	—	5.2 S	(2.9)
Copper – Vendor / customer	2.1 L	0.8	—	—
Silver – Broker	—	—	0.6 S	(6.2)
Total		<u>\$ 3.6</u>		<u>\$ (11.2)</u>

* in millions of copper or tin pounds or silver troy ounces. L = Long S = Short

The above net short copper positions of 2.6 and 2.9 copper pounds as of September 30, 2011 and December 31, 2010, respectively, were placed to economically hedge a like amount of physical copper inventory.

Since none of the Company's derivatives are designated as hedging instruments under ASC 815 "Derivative and Hedging", the changes in fair value of these hedges are recognized immediately in cost of goods sold. Such amounts were a \$2.3 million gain and \$0.5 million loss for the three months ended September 30, 2011 and 2010, respectively, and a \$4.0 and \$0.8 million gain for the nine months ended September 30, 2011 and 2010, respectively.

In addition to the recorded derivatives above, the Company has elected to account for certain of its silver purchase and sales commitments as normal purchases and sales, which therefore are not recorded until the time of purchase and sale. The Company had firm silver price purchase commitments of \$0.8 and \$0.4 million as of September 30, 2011 and December 31, 2010, respectively, and a like amount of firm silver priced sales commitments as of those respective dates.

7. Subsequent event

Management has performed an analysis of the activities and transactions subsequent to September 30, 2011 to determine the need for any adjustments to and/or disclosures within the financial statements for the quarter ended September 30, 2011. Management has performed their analysis through November 15, 2011 the date the financial statements were available to be issued.

On October 27, 2011, Exeon and Wolverine agreed to terminate the WJT Toll Agreement and the Terms and Conditions arrangements. Pursuant to termination agreements between the parties, on November 1, 2011, Exeon sold (1) inventories and account receivables related to the WJT Toll Agreement to WJT for a net estimated purchase price, adjusted for estimated outstanding tolling fees, of \$31.7 million and (2) raw materials inventories associated with the Terms and Conditions to Wolverine less the initial margin deposit related to firm priced contracts for a net estimated purchase price of \$1.4 million. The aforesaid net estimated purchase prices

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7. Subsequent event (Continued)

were paid to Exeon on November 1, 2011. Concurrently with the aforesaid sale, Exeon paid PNC \$17.8 million on account of the outstanding principal balance of its Revolving Credit Facility, which reduced the said principal balance to zero (\$0). Also on October 27, 2011 Alpine and Wolverine agreed to terminate the Ardmore Toll Agreement. Pursuant to a termination agreement between the parties, Alpine sold inventories, prepaid assets and account receivables related to the Ardmore Tolling Agreement to Wolverine for a net estimated purchase price, adjusted for estimated outstanding tolling fees, of \$2.7 million. The aforesaid net estimated purchase price was paid to Alpine on November 1, 2011. The aforesaid termination agreements provide for review and confirmation of the net assets valuations utilized by the parties in determining the above net estimated purchase prices and for final payment adjustments based on the final value of net assets as agreed to by parties, by no later than November 18, 2011.