

**The Alpine Group, Inc.**  
**Financial Statements**  
**For the fiscal years ended December 31, 2010 and 2009**

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of The Alpine Group, Inc. (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Due to the effects of the accounting treatment of Synergy Cables Ltd, as described in the preceding paragraph, in our opinion, the 2010 and 2009 financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2010 and 2009 or the results of its operations or its cash flows for the years then ended.

\s\ Crowe Horwath LLP

Fort Wayne, Indiana  
April 11, 2011

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

<b>ASSETS</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Current assets:		
Cash and cash equivalents .....	\$ 2,766	\$ 1,542
Marketable securities, at fair value (Note 1).....	1,507	4,646
Restricted cash (Note 1).....	6,931	582
Accounts receivable, trade.....	14,730	7,381
Accounts receivable, affiliates (Note 1).....	31	3,412
Income tax receivable (Note 6).....	790	7,064
Inventories, net (Note 2).....	28,420	24,740
Derivative assets (Note 11).....	3,575	1,991
Prepaid expenses, deposits and other current assets .....	2,610	2,684
Total current assets.....	61,360	54,042
Property, plant and equipment, net (Note 3).....	547	550
Deferred income taxes (Note 6).....	2,206	2,576
Goodwill .....	1,033	1,033
Other assets .....	1,559	1,577
Total assets.....	\$ 66,705	\$ 59,778
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Revolving credit facility (Note 5).....	\$ 18,814	\$ 10,399
Other short term borrowings (Note 5) .....	—	1,801
Subordinated note payable.....	—	233
Current portion of mandatorily redeemable series A convertible preferred stock (1,452 and 1,582 shares outstanding at December 31, 2010 and 2009, respectively) (Note 7).....	552	601
Cash deposit from affiliate (Note 11) .....	900	—
Accounts payable.....	7,137	7,031
Accounts payable, affiliates (Note 1).....	5,357	5,531
Accrued expenses .....	3,801	4,038
Derivative liabilities (Note 11) .....	11,237	2,868
Deferred income taxes (Note 6).....	5,253	6,871
Total current liabilities .....	53,051	39,373
Other long-term liabilities .....	1,280	1,396
Mandatorily redeemable series A convertible preferred stock (1,089 and 2,541 shares outstanding at December 31, 2010 and 2009, respectively) less current portion (Note 7).....	408	956
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 December 31, 2010 and 2009).....	3,259	3,259
Capital in excess of par value .....	174,243	174,203
Accumulated other comprehensive loss.....	(2,185)	(4,590)
Accumulated deficit.....	(46,972)	(38,360)
Treasury stock, at cost (17,748,622 and 17,743,444 shares at December 31, 2010 and 2009, respectively) .....	(116,556)	(116,567)
Receivable from stockholders (Note 13) .....	—	(69)
Total stockholders' equity .....	11,966	18,053
Total liabilities and stockholders' equity .....	\$ 66,705	\$ 59,778

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

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Net sales .....	\$ 123,810	\$ 36,677
Cost of goods sold.....	124,404	33,867
Gross profit (loss) .....	(594)	2,810
Selling, general and administrative expenses.....	5,507	5,711
Operating loss .....	(6,101)	(2,901)
Interest expense.....	(1,012)	(175)
Dividend and interest income.....	71	104
Realized gain on sale of investments .....	158	498
Other income (expense), net .....	(44)	78
Loss before income taxes and equity loss of affiliates.....	(6,928)	(2,396)
Income tax benefit.....	2,548	7,710
Income (loss) before equity in loss of affiliates.....	(4,380)	5,314
Losses related to Wolverine affiliate, net of tax (Note 4) .....	(2,387)	(9,756)
Losses related to SCL and other affiliates, net of tax (Note 4) .....	(1,723)	(3,362)
Net loss.....	(8,490)	(7,804)
Preferred stock dividends .....	(122)	(381)
Net loss applicable to common stock .....	<u>\$ (8,612)</u>	<u>\$ (8,185)</u>
Net loss per share of common stock: (Note 8)		
Basic and diluted	<u>\$ (0.50)</u>	<u>\$ (0.69)</u>
Weighted average shares outstanding:		
Basic and diluted:	17,331	11,841

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

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

	Year Ended December 31,			
	2010		2009	
	Shares	Amount	Shares	Amount
9% cumulative convertible preferred stock:				
Balance at beginning and end of period.....	177	\$ 177	177	\$ 177
Common stock:				
Balance at beginning of period ..	32,594,407	3,259	26,785,560	2,678
Shares issued pursuant to the Series A preferred stock conversion.....	—	—	5,808,847	581
Balance at end of period .....	<u>32,594,407</u>	<u>3,259</u>	<u>32,594,407</u>	<u>3,259</u>
Capital in excess of par value:				
Balance at beginning of period ..		174,203		171,675
Compensation expense related to restricted stock and certain stock options, less vested shares released from treasury.		44		168
Shares issued pursuant to the Series A preferred stock conversion.....		(4)		2,360
Balance at end of period .....		<u>174,243</u>		<u>174,203</u>
Accumulated other comprehensive income / (loss):				
Balance at beginning of period ..		(4,590)		(14,321)
Realized net gains on sale of securities (net of tax provision of \$63 and \$199 respectively)		(95)		(299)
Change in unrealized losses on securities, (net of tax benefit of \$75 and \$334 respectively) ...		113		501
Change in unrealized other comprehensive loss of equity affiliates .....		2,387		9,529
Balance at end of period .....		<u>(2,185)</u>		<u>(4,590)</u>

(Continued)

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

	Year Ended December 31,			
	2010		2009	
	Shares	Amount	Shares	Amount
Accumulated deficit:				
Balance at beginning of period ..		(38,360)		(30,175)
Net loss .....		(8,490)		(7,804)
Dividends on preferred stock.....		(122)		(381)
Balance at end of period .....		(46,972)		(38,360)
Treasury stock:				
Balance at beginning of period ..	(17,743,444)	(116,567)	(17,556,055)	(116,505)
Stock options and grants .....	6,865	17	4,368	12
Stock repurchase .....	(12,043)	(6)	(191,757)	(74)
Balance at end of period .....	(17,748,622)	(116,556)	(17,743,444)	(116,567)
Receivable from stockholders:				
Balance at beginning of period ..		(69)		(138)
Forgiveness of officers' loans ....		69		69
Balance at end of period .....		—		(69)
Total stockholders' equity.....		\$ 11,966		\$ 18,053

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Net loss.....	\$ (8,473)	\$ (7,804)
Change in unrealized gains on investment securities, net of tax .....	18	202
Change in unrealized other comprehensive loss of equity in affiliates .....	2,387	9,529
Total comprehensive income (loss).....	\$ (6,068)	\$ 1,927

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

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

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net loss.....	\$ (8,490)	\$ (7,804)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization .....	270	190
Compensation expense related to stock options and grants .....	131	249
Deferred income taxes .....	(1,260)	(1,277)
Loss from write off of Wolverine other comprehensive loss.....	2,387	—
Loss on sale of Wolverine preferred stock .....	—	9,756
Equity in loss of affiliates .....	1,723	3,362
Realized gain on investments in securities.....	(158)	(498)
LIFO and lower of cost or market adjustments.....	6,109	(468)
Change in assets and liabilities:		
Accounts receivable, net .....	(7,349)	(5,620)
Accounts receivable/payable, affiliates.....	3,206	3,647
Deposits from affiliates.....	900	(9,490)
Inventories, (excluding LIFO and lower of cost or market reserves) .....	(9,789)	(199)
Derivative assets and liabilities, net.....	6,785	1,260
Other current and non-current assets .....	(6)	(165)
Accounts payable.....	106	3,294
Income taxes – current .....	6,396	(9,015)
Accrued expenses .....	(252)	(799)
Other, net .....	(116)	8
Cash provided by (used for) operating activities.....	<u>593</u>	<u>(13,569)</u>
Cash flows from investing activities:		
Capital expenditures.....	(116)	(28)
Purchase of marketable securities .....	(447)	(5,362)
(Increase) decrease in restricted cash .....	(6,350)	11,012
Proceeds from sale of marketable securities .....	3,774	4,985
Loan to affiliate, net of proceeds.....	(1,540)	—
Equity investment, net of proceeds .....	(325)	—
Cash provided by (used for) investing activities .....	<u>(5,004)</u>	<u>10,607</u>
Cash flows from financing activities:		
Net borrowings under revolving credit facilities.....	8,415	3,742
Repayments on other short-term borrowings .....	(1,801)	(246)
Debt issuance costs .....	(33)	(335)
Repayments of long-term borrowings.....	(233)	(72)
Purchase of treasury stock.....	(6)	(74)
Cash dividends on preferred stock .....	(106)	(365)
Preferred stock redemption .....	(601)	(88)
Cash provided by financing activities .....	<u>5,635</u>	<u>2,562</u>
Net increase (decrease) in cash and cash equivalents.....	1,224	(400)
Cash and cash equivalents at beginning of year .....	1,542	1,942
Cash and cash equivalents at end of year .....	<u>\$ 2,766</u>	<u>\$ 1,542</u>
Supplemental disclosures:		
Cash paid for interest .....	\$ 820	\$ 126
Cash paid (received) for income taxes, net .....	\$ (7,697)	\$ 2,596

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies**

*Basis of presentation and description of business*

The accompanying consolidated financial statements represent the accounts of The Alpine Group, Inc. and the consolidation of all of its majority-controlled subsidiaries (collectively "Alpine" or the "Company", unless the context otherwise requires) with the exception of its 52% owned subsidiary, Synergy Cables Ltd. ("SCL"), which is accounted for using the equity method. As a result of the Company's acquisition of a controlling interest in SCL, business combination accounting should have been applied with respect to this investment. Additionally, 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 in SCL to below 50%, the equity method has been utilized in the financial statements presented herein. After giving effect to options and warrants exercisable by third parties, the Company's fully diluted ownership in SCL would be approximately 40%. During the fourth quarter of 2009 Alpine's investment in SCL was written down to zero due to accumulated net losses at SCL exceeding the Company's equity investment. As discussed in Note 4, in 2010 the Company made a cash loan to SCL in the amount of \$2.0 million, of which \$0.5 million was later sold to other parties. Consistent with its application of the equity methods of accounting, the Company wrote off the net advance of \$1.5 million in the fourth quarter of 2010. Alpine's statements of operation exclude approximately \$4.1 million for 2010 and \$2.8 million for 2009 of additional losses that would be included if it were accounted for on a consolidated basis. Alpine is not liable for any indebtedness or other liabilities of SCL. SCL's financial statements are prepared using International Financial Reporting Standards ("IFRS") and management of the Company does not believe there are significant differences with GAAP. Summary financial information related to SCL for 2010 and 2009 is presented below:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
<b>Balance Sheet</b>		
Current assets.....	\$ 63,692	\$ 96,634
Long-term assets.....	35,459	48,694
Total assets .....	<u>\$ 99,151</u>	<u>\$ 145,328</u>
Current liabilities .....	\$ 50,100	\$ 90,991
Long-term liabilities .....	38,347	33,268
Stockholders' equity .....	10,704	21,069
Total liabilities and stockholders' equity .....	<u>\$ 99,151</u>	<u>\$ 145,328</u>
	<b>Year ended</b>	<b>Year ended</b>
	<b>December 31,</b>	<b>December 31,</b>
	<b>2010</b>	<b>2009</b>
<b>Statement of Operations</b>		
Net sales .....	\$ 146,736	\$ 136,759
Net loss .....	\$(11,940)	\$(11,860)

Alpine was incorporated in New Jersey in 1957 and reincorporated in Delaware in 1987. Alpine is a holding company which over the recent past has owned and operated industrial and other manufacturing companies. At December 31, 2010 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.

*Significant customers*

Exclusive of Wolverine (see Notes 1, 4, and 13) no one customer accounted for more than 10% of net sales for the years-ended December 31, 2010 and 2009.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies (Continued)**

*Cash and cash equivalents*

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

*Fair value of financial instruments*

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

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

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

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

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

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

Investments: The Company's marketable securities, consisting primarily of stocks and mutual funds, were classified as available for sale at December 31, 2010 and 2009 and carried at fair value. The fair values of such securities were \$1.5 and \$4.6 million as of December 31, 2010 and 2009, 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 11). 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 11). 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 \$6.4 and \$0.6 million as of December 31, 2010 and 2009, respectively. The Company is required to maintain \$0.1 million of cash related to a lease of its New Jersey office, which is classified as other noncurrent assets, in the financial statements contained herein.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies (Continued)**

During July, 2010, ZephRa Energy LLC ("Zephra"), Alpine's renewable energy services venture (see Note 4), refocused its business model and sold certain of its assets to a third party. In connection with this sale transaction, Alpine guaranteed to the purchaser that through December 31, 2010, Zephra would have not less than \$0.5 million in cash or other liquid funds available to satisfy recoverable losses, if any, incurred by such purchaser as a result of any breach of warranty or other default of Zephra under the purchase agreement relating to such sales. Neither Alpine nor Zephra have received, nor anticipate receiving, any claims in this regard.

*Accounts receivable/payable, affiliates*

At December 31, 2010, Alpine had a total of \$5.2 million due to Wolverine related to certain toll agreements (see Note 13) and to realized hedge gains due Wolverine arising under hedge contracts that matured during December 2010 and which were entered into pursuant to the master hedging arrangement between Exeon and Wolverine (see Note 11). At December 31, 2009 Exeon had a net \$2.1 million due to Wolverine related to a certain toll agreement and supply agreement between them (see Note 13). The Company had also accrued \$1.6 million of dividends, for which payment has been deferred, related to the Company's investment in Wolverine Series A and Series B Preferred Stock (see Note 4). Following commencement by Wolverine of bankruptcy proceedings on November 1, 2010 (see Note 4) these dividend receivables, which had been fully reserved at December 31, 2009, were written-off during the fourth quarter of 2010.

*Inventories*

Substantially all of the Exeon inventories are stated at the lower of cost or market, using the last-in, first-out ("LIFO") method. The Company determines whether a lower of cost or market ("LCM") provision is required on a quarterly basis by analyzing the current replacement cost of the inventory compared to its carrying value. The LIFO cost of the inventories was lower than the market values as of December 31, 2010 and 2009 and therefore no LCM adjustment was needed.

*Property, plant and equipment*

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

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

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

*Goodwill*

Goodwill of \$1.0 million represents the excess of the purchase price over the fair value of the net assets acquired in the Posterloid acquisition. Goodwill is assessed at least annually for impairment and any such impairment is recognized in the period identified. The goodwill related to the Posterloid acquisition was assessed as of December 31, 2010 and 2009 and no impairment was deemed necessary.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies (Continued)**

***Income taxes***

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

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

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

***Derivative financial instruments***

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

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

***Revenue recognition and accounts receivables***

Except for products bought and resold to 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 December 31, 2010 and 2009, no allowance was required. The Company's price to the buyer is fixed and determinable based upon the price set forth in a written order from the customer.

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies (Continued)**

*Shipping and handling*

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

*Earnings per share*

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

*Comprehensive income (loss)*

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

*Use of estimates*

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

*Guarantees*

Since 1993, Alpine has been a party to a guaranty of obligations of a former affiliate, under a lease by such former affiliate of a manufacturing facility in Brownwood, Texas. The lease provides for monthly payments of \$56,000 subject to adjustments for changes in the consumer price index ("CPI"). The lease term expires in 2018 but may be extended through 2033. As such, the maximum potential amount of future payments under the guaranty through 2018 would be approximately \$5.4 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.

*Foreign currency translation*

The Company's net investment in its SCL equity investment is translated into US dollars from the Israeli New Shekel (NIS) at exchange rates in effect at the end of the period. Income/(losses) from the affiliate are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are recorded through accumulated other comprehensive income/(loss) on the financial statements.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**1. Summary of significant accounting policies (Continued)**

Under the provisions of the Revolving Credit Facility (see Note 5), Alpine and its wholly owned subsidiary Alpine Holdco Inc., (“Alpine Holdco”) 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.

In connection with the acquisition of Posterloid Corporation, Alpine had guaranteed payment of a contingent earn out of up to a maximum of \$0.5 million based on achievement of certain cumulative performance levels over a three year period from March 2007 through February 2010. Such payment was made during the second quarter of 2010.

***Stock –Based Employee Compensation Plans***

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

***Reclassifications***

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

**2. Inventories**

At December 31, 2010 and 2009, the components of inventories are as follows:

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
<b>(in thousands)</b>		
Raw materials .....	\$ 10,672	\$ 4,827
Work in process .....	12,852	5,529
Finished goods .....	11,659	15,141
Total gross inventories .....	35,183	25,497
LIFO reserve .....	(6,763)	(757)
Inventories, net .....	\$ 28,420	\$ 24,740

At December 31, 2010 and 2009, \$32.3 and \$23.7 million of inventories were valued using the LIFO method of accounting respectively.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**3. Property, plant and equipment**

At December 31, 2010 and 2009, property, plant and equipment consisted of the following:

	December 31, 2010	December 31, 2009
(in thousands)		
Land .....	\$ 27	\$ 27
Buildings and improvements .....	226	226
Machinery and equipment.....	1,077	961
Gross property, plant and equipment .....	1,330	1,214
Less accumulated depreciation .....	(783)	(664)
Net property, plant and equipment.....	\$ 547	\$ 550

Depreciation expense for the years ended December 31, 2010 and 2009, was \$119 and \$140, respectively.

**4. Investment in affiliates**

***Wolverine Tube, Inc.***

On February 16, 2007, Alpine and a co-investor, purchased \$10 million and \$40 million, respectively, of newly issued shares of Series A 8% Convertible Preferred Stock (the “Wolverine Series A Preferred Stock”) of Wolverine Tube, Inc. (“Wolverine”), and on February 17, 2007, representatives of Alpine and such co-investor joined Wolverine’s board of directors, constituting a majority thereof. On January 25, 2008, Alpine purchased an additional 4,494 shares of Wolverine Series A Preferred Stock at a purchase price per share in cash of \$1,000 for an aggregate purchase price of approximately \$4.5 million. Thereafter on March 20, 2008, Alpine purchased \$10 million of newly issued shares of Series B 8 ½% Convertible Preferred Stock (the “Wolverine Series B Preferred”) of Wolverine.

On March 29, 2007, October 18, 2007 and August 16, 2008, Wolverine granted Alpine options under the Wolverine Tube, Inc. 2007 Non-Qualified Stock Option Plan (the “Wolverine Option Plan”) to purchase 4,399,059 (the “Original Option”) 366,588 (the “Additional Option”) and 540,294 (the “Second Additional Option”) shares of common stock of Wolverine. The exercise prices for such options were as follows: \$1.10 per share as to a tranche of 40% of the Original Option and Additional Option shares and \$0.74 per share as to a tranche of 40% of the Second Additional Option shares; \$1.40 per share as to a tranche of 30% of the Original Option and Additional Option shares and \$0.95 per share as to a tranche of 30% of the Second Additional Option shares; and \$2.20 per share as to a tranche of 30% of the Original Option and Additional Option shares and \$1.49 per share as to a tranche of 40% of the Second Additional Option shares. As a result of the issuance of additional shares of common stock of Wolverine following a rights offering consummated during October 2007, and pursuant to the express terms of the Wolverine Option Plan, the number of common shares underlying the Original Option and the Additional Option were automatically adjusted to 6,483,533 and 540,294, respectively; and the exercise prices for the separate 40%, 30% and 30% option tranches granted under the Original Option and Additional Option were adjusted to equal those of the Second Additional Option, i.e. \$0.74, \$0.95 and \$1.49, respectively.

During July 2008 and September 2008, Alpine purchased on the open market, 509,382 and 417,853 shares of Wolverine common stock for aggregate purchase prices of \$0.4 million and \$0.3 million, respectively. On October 22, 2009 Alpine sold 406,230 shares of Wolverine common stock for \$21,240.

As a result of Alpine’s aforesaid March 20, 2008 additional investment in Wolverine, among other factors, as of such date Alpine adopted the equity method of accounting for its investment in Wolverine. However, no adjustment compared to the cost basis previously applied was deemed necessary for the quarter ended March 31, 2008 as Alpine’s share of Wolverine’s earnings for the remaining period between March 20, 2008 and the end of such quarter was immaterial for adjustment. During the last nine months of 2008 Alpine recorded \$13.0 and \$12.1 million for its share of Wolverine’s losses and its decrease in OCI for the same period, respectively. Since the full effect of Alpine’s share of Wolverine’s 2008 losses and decrease in OCI would have resulted in a \$3.8 million negative investment in Wolverine, the amounts recorded by Alpine represent a proportional impact of the Wolverine losses

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**4. Investment in affiliates (Continued)**

and decrease in OCI such that Alpine's investment in Wolverine was zero as of December 31, 2010 and 2009. Since, as described below in this footnote, Alpine sold approximately 80% of its equity interest in Wolverine during December 2009 the Company recorded 80% of the aforesaid \$12.1 million of OCI losses (or \$9.7 million) to Equity in loss of affiliates in the statement of operations for 2009. The Company did not record 100% of the OCI loss in 2009 as management believes based on the operational arrangements maintained after its 80% sales of its investment, that it retained the same level of influence after the sale.

On December 14, 2009, Alpine sold 14,000 shares of Wolverine Series A Preferred Stock and 6,000 shares of Wolverine Series B Preferred Stock to purchasers in a series of private placements for a purchase price of \$18.18 in cash per share. The sales were made pursuant to individual Purchase and Sale Agreements between Alpine and each purchaser. Following such sales, Alpine owned 4.6% of Wolverine on a fully diluted as converted basis.

The Company did not receive any dividends from Wolverine during 2010 or 2009. Prior to the aforementioned sale of Wolverine Series A and Series B Preferred stock on December 14, 2009, the Company had accrued \$5.3 million of dividends for which payment had been deferred; however, since based upon the then current evaluation it was more likely than not that the Company would not receive these deferred dividends, the full amount was reserved as of December 31, 2009. As a result of the sale of Wolverine Series A and Series B Preferred Stock, the purchasers also received Alpine's interest in that portion of the aforesaid deferred dividends related to the preferred stock shares they purchased, or approximately \$4.4 million. Alpine's remaining share of such deferred dividends as of December 31, 2010 was \$1.6 million, all of which was written-off during the fourth quarter of 2010.

On November 1, 2010, Wolverine announced 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 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 supported by holders of the Notes. Subject and pursuant to interim first day orders issued by the Bankruptcy Court, Wolverine as debtor in possession continues 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 13). Pursuant to the proposed plan of reorganization, all Wolverine existing common and preferred stock (including options to acquire the same) will be cancelled, and the holders of such stock, including Alpine, will not receive or retain any property on account of such stock. The timing and final terms for the restructuring of Wolverine are subject to, among other matters, the detailed terms and conditions of a Plan of Reorganization and its ultimate approval by the Bankruptcy Court. There can be no assurance that such approval will be obtained. As a result of the aforementioned bankruptcy, Alpine recorded a \$2.4 million loss in the statement of operations during the fourth quarter of 2010, representing its remaining share of Wolverine's other compressive losses previously recorded by Alpine. This did not have any impact on Alpine's total stockholders' equity.

***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 also entered into a stockholders 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. This stockholders agreement was terminated by mutual agreement of the parties thereto as of December 26, 2010. On February 23, 2006, SCL's principal lender agreed to extend approximately \$11 million in long term indebtedness of SCL and convert \$15 million in SCL indebtedness into a non-interest bearing subordinated loan repayable only upon liquidation of SCL and exchangeable into 15% of SCL share capital. The foregoing agreements were closed on June 26, 2006 and as a result the Company owns approximately 52% of SCL.

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**4. Investment in affiliates (Continued)**

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

As 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 March 28, 2011, the market value of SCL ordinary shares on the Tel Aviv Stock Exchange was NIS 0.125 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.

As stated in Note 1, SCL is accounted for using the equity method. Alpine recorded \$3.4 million equity in losses of affiliates during the year ended December 31, 2009. Alpine also recorded \$0.2 million for its share of SCL's other comprehensive losses during 2009. These losses were primarily related to deferred foreign currency translation adjustments. As also stated in Note 1, since the Company's investment was written down to zero in 2009 and since SCL continued to incur losses in 2010, the Company made no adjustment to the equity accounting for SCL during 2010.

***ZephRa Energy LLC***

On February 17, 2010, Alpine and another unrelated investor organized Zephra as a newly created Delaware limited liability company. Zephra was a start-up venture focused initially upon the North American renewable energy services market, including engineering, procurement and construction services for wind farm and solar energy projects. As of December 31, 2010, Alpine and its co-investor owned Zephra on a 50% / 50% basis. As of December 31, 2010, Alpine had invested \$0.6 million, which was offset by Alpine's share of losses of Zephra. During July 2010, Zephra determined to refocus its business model. As a result of such determination, it terminated its employees and sold certain of its assets to a third party for a payment of \$0.5 million which was distributed equally between Zephra's investors.

**5. Revolving Credit Facility**

On December 21, 2009, Exeon entered into a Revolving Credit and Security Agreement ("Revolving Credit Facility") with PNC Bank, National Association ("PNC"). The terms of the Revolving Credit Facility initially provided for a maximum borrowing limit of \$15 million when first entered into in December 2009, but was increased to \$20 million as of June 30, 2010 and to \$25 million as of December 20, 2010. Borrowing availability is determined by reference to a borrowing base that permits advances to be made at various net valuation rates against various assets of Exeon. Interest is payable monthly in arrears and is based at Exeon's option on LIBOR or bank rates plus, in each instance, a fixed margin. The weighted average interest rates at December 31, 2010 and 2009 were 4.8% and 5.9%, respectively. The Revolving Credit Facility provides for maintenance of financial covenants and ratios

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**5. Revolving Credit Facility (Continued)**

relating to minimum fixed charge coverage and quarterly net income and includes restrictions on mergers, acquisitions, sale of assets, capital expenditures, payment of cash dividends and incurrence of indebtedness. Exeon was in compliance with all applicable covenants at December 31, 2010 and 2009. The Revolving Credit Facility is collateralized by substantially all of Exeon's tangible and intangible assets. At December 31, 2010 and 2009, Exeon had \$3.2 and \$2.0 million of availability, respectively. Under provisions of the Revolving Credit Facility Alpine and its wholly owned subsidiary Alpine Holdco Inc. have committed to make additional capital contributions to Exeon under certain circumstances in the maximum amount of \$2.5 million.

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

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

At June 30, 2010, Alpine had a credit line account with UBS Bank USA ("UBS"). The credit line was collateralized by cash equivalents and other investments on deposit with UBS for the account of Alpine. The outstanding balance under the credit line was \$1.8 at December 31, 2009. The balance was repaid during July 2010 with available funds on account with UBS and the credit line was terminated.

**6. Income taxes**

The benefit for income taxes for the years ended December 31, 2010 and 2009 is comprised of the following:

	<u>Year Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
	(in thousands)	
Current:		
Federal .....	\$ 1,170	\$ 6,848
State .....	145	(415)
Foreign.....	(26)	—
Total current income tax benefit.....	<u>1,289</u>	<u>6,433</u>
Deferred:		
Federal .....	1,345	1,270
State .....	(86)	7
Total deferred income tax benefit.....	<u>1,259</u>	<u>1,277</u>
Total income tax benefit .....	<u>\$ 2,548</u>	<u>\$ 7,710</u>

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**6. Income taxes (Continued)**

The benefit for income taxes differs from the amount computed by applying a U.S. federal income tax rate of 35% for the years ended December 31, 2010 and 2009, because of the effect of the following items:

	Year Ended December 31,	
	2010	2009
	(in thousands)	
Continuing operations:		
Expected income tax benefit at U.S. federal statutory tax rate.....	\$ 3,834	\$ 5,430
State income taxes, net of U.S. federal income tax benefit .....	112	69
Equity in losses of affiliates.....	(1,629)	(4,591)
Capital loss carry-back .....	451	6,954
Capital loss carry-forward .....	1,236	—
Change in valuation allowance.....	(1,261)	(39)
State tax refunds .....	29	13
State NOL.....	(258)	(99)
Other, net .....	34	(27)
Total income tax benefit.....	<u>\$ 2,548</u>	<u>\$ 7,710</u>

Items that result in deferred tax assets and liabilities and the related valuation allowance at December 31, 2010 and 2009 are as follows:

	December 31,	December 31,
	2010	2009
	(in thousands)	
Deferred tax assets:		
Accrued expenses .....	\$ 2,794	\$ 1,790
Compensation expense related to unexercised stock options and stock grants .....	2,937	2,907
Net operating loss carry-forward .....	6,383	5,670
Capital loss carry-forward.....	1,236	—
Other .....	516	488
Total deferred tax assets.....	<u>13,866</u>	<u>10,855</u>
Less valuation allowance .....	(8,768)	(6,540)
Net deferred tax assets .....	<u>5,098</u>	<u>4,315</u>
Deferred tax liabilities:		
Inventory .....	8,145	8,610
Total deferred tax liabilities .....	<u>8,145</u>	<u>8,610</u>
Net deferred tax liability .....	3,047	4,295
Net long-term deferred tax assets .....	2,206	2,576
Net current deferred tax liability.....	<u>\$ 5,253</u>	<u>\$ 6,871</u>

At December 31, 2010, Alpine had state net operating loss carry-forwards (“NOL’s”) in the amount of \$6.1 million (before federal tax effect) that can be used to offset future taxable income. The net operating loss carry-forwards expire beginning in 2011 and through 2029. Based on the number of states in which it currently maintains business operations requiring the payment of state income taxes, it is unlikely that Alpine will realize all of its state net operating loss carry-forwards. Accordingly, Alpine has determined that, pursuant to the provisions of FASB ASC 740, a deferred tax valuation allowance in the amount of \$5.7 million is required on those deferred tax assets. During 2010 \$0.1 million of state NOL’s expired unused and during 2009 \$0.4 million of state NOL’s expired unused.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**6. Income taxes (Continued)**

At December 31, 2010, Alpine also had a \$1.2 million valuation allowance to reduce the carrying value of the deferred tax asset related to the capital loss carry-forward generated in 2010 and a \$1.8 million valuation allowance to reduce the carrying amount of the deferred tax asset related to stock grants issued prior to July 1, 2000 to the extent the value has decreased and is not expected to be recovered for tax purposes.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is subject to examination in the U.S. federal tax jurisdiction and various states for the 2004-2009 tax years. As of December 31, 2010 the Company was appealing the findings of an audit by the U.S. Internal Revenue Service (“IRS”) for tax periods 2005 through 2007. Included in the Company’s deferred tax liability is \$8.1 million, the deferral of which is the primary focus of the IRS audit. As of December 31, 2010, the Company was also under audit by the IRS for tax periods 2008 and 2009, with the issues under such audit primarily focused on the same issue as the 2004-2007 examination.

The Company recognizes penalties and interest related to income tax matters in selling, general and administrative expense and interest expense, respectively. The Company did not have any amounts accrued for interest and penalties at December 31, 2010 and 2009.

**7. Preferred stock**

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

At December 31, 2010, there were 2,541 shares of Alpine Series A Cumulative Convertible Stock (the “Alpine Series A Preferred Stock”) outstanding. Holders of the Alpine Series A Preferred Stock are entitled to receive, when, as and if declared by the board of directors out of funds legally available for payment, cash dividends at an annual rate of \$30.40 per share until converted or redeemed by the Company. The Alpine Series A Preferred Stock originally was convertible into Common Stock, at the option of the holder, at the rate of 691 (adjusted to 743.01 during 2004) shares of Common Stock per share of Alpine Series A Preferred. Unconverted shares of Alpine Series A Preferred Stock ceased to be convertible after December 21, 2009 and are mandatorily redeemable as set forth below. The Company redeemed 1,582 shares and 230 shares of the Alpine Series A Preferred Stock in 2010 and 2009, respectively, according to such terms.

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**7. Preferred stock (Continued)**

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

<b>Alpine Series A Preferred Stock - Mandatory Redemption Schedule</b>				
	<b>Shares to be redeemed</b>	<b>Remaining share balance</b>	<b>Remaining balance (000's)</b>	<b>Scheduled redemption payments (000's)</b>
12/31/2010		2,541	\$ 966	
3/31/2011	363	2,178	\$ 828	\$ 138
6/30/2011	363	1,815	\$ 690	\$ 138
9/30/2011	363	1,452	\$ 552	\$ 138
12/31/2011	363	1,089	\$ 414	\$ 138
3/31/2012	363	726	\$ 276	\$ 138
6/30/2012	363	363	\$ 138	\$ 138
9/30/2012	363	—	\$ —	\$ 138

At December 31, 2010, 177 shares of 9% Cumulative Convertible Preferred Stock (“9% Preferred Stock”) were outstanding. Each share of the 9% Preferred Stock is convertible into 105 1/2 shares of Common Stock, subject to customary adjustments. Alpine may redeem the stock at any time, in whole or in part at a price equal to the liquidation value per share of \$1,000. The 9% Preferred Stock is senior to the Series A Preferred Stock. The amount of dividends accrued at December 31, 2010 was \$0.2 million.

**8. Earnings (loss) per share**

The computation of basic and diluted earnings (loss) per share for the years ended December 31, 2010 and 2009, is as follows:

	<b>Year Ended December 31,</b>					
	<b>2010</b>			<b>2009</b>		
	<b>Net Loss</b>	<b>Weighted Average Shares</b>	<b>Per Share Amount</b>	<b>Net Loss</b>	<b>Weighted Average Shares</b>	<b>Per Share Amount</b>
	<b>(in thousands, except per share amounts)</b>					
Basic and diluted loss per share:						
Net loss .....	\$ (8,490)	17,331	\$ (0.49)	\$ (7,804)	11,841	\$ (0.66)
Adjustments:						
Preferred stock dividends ...	(122)	17,331	(0.01)	(381)	11,841	(0.03)
Net loss applicable to common stock .....	<u>\$ (8,612)</u>	<u>17,331</u>	<u>\$ (0.50)</u>	<u>\$ (8,185)</u>	<u>11,841</u>	<u>\$ (0.69)</u>

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**8. Earnings (loss) per share (Continued)**

The earnings per share calculations for the year ended December 31, 2010 exclude the exercise of certain stock options (2.8 million) and vesting of restricted stock grants (0.1 million) because the effect would be antidilutive due to the net loss for the period.

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

**9. 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 his 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 will be paid in cash and only the remaining 50% is paid in the form of restricted stock and/or stock options as selected by each non-employee director. There were 532,548 and 482,721 non-qualified stock options granted to non-employee directors during 2010 and 2009, respectively. There were no shares of restricted stock granted during 2010 or 2009. All options granted during 2010 and 2009 were issued at the fair market value of the Common Stock at the date of the grant. Each stock option granted under the Director Plan expires on the tenth anniversary of the date of the grant. Awards of restricted stock and stock options under the Director Plan vest upon the earliest of the following to occur: (i) the third anniversary of the date of the grant; (ii) a non-employee director's death; and (iii) a change of control of the Company. Any shares issued pursuant to the Director Plan will be issued from the Company's treasury stock. During 2010, the Director Plan had 25,296 options expire.

Alpine sponsors a 1984 Restricted Stock Plan under which a maximum of 600,000 shares of Common Stock have been reserved for issuance. At December 31, 2010 and 2009, there were 45,064 shares available for issuance. During the years ended December 31, 2010 and 2009, the Executive Compensation Committee of the Board of Directors (the "Compensation Committee") granted no new shares under this plan. Shares of restricted Common Stock granted under this Plan vest in equal installments over a three year period commencing with the first anniversary of grant.

Alpine sponsors The Alpine Group, Inc. Deferred Stock Account Plan, an unfunded deferred stock compensation plan whereby certain key management employee participants are permitted to (i) defer the receipt of all, or a portion, of their non-cash salary or bonus, as defined by the plan and (ii) reinvest deemed cash dividends allocable to Common Stock credited to a participant's account under the plan into additional deferred Common Stock. The plan also provides for Company matching contributions of Common Stock of either 25% or 50%, depending upon period of deferral, applied to shares of Common Stock deferred therein. The compensation cost associated with the Company matching contributions is amortized over the period of the deferral in respect of which it may be earned. Shares deferred into the Deferred Stock Account Plan are held in irrevocable grantor trusts. At December 31, 2010, 2,536,456 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 \$16,000 and \$80,000 as of December 31, 2010 and 2009, respectively. During 2010 no new deferred shares were granted, 52,647 shares vested and no previously vested shares were certificated and distributed. During 2009 no new deferrals were made, 112,565 shares vested and no previously vested shares were certificated and distributed. During the first quarter of 2010, four executives elected to further extend deferrals previously made. No further deferrals were made in 2010.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**9. Stock based compensation plans (Continued)**

The following table summarizes restricted stock activity for the twelve month periods ended December 31, 2010 and 2009.

	Deferred Stock Account Plan		Non-Employee Directors Plan	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Nonvested balance at December 31, 2008.....	36,565	\$3.40	20,905	\$2.55
Granted .....	—		—	
Vested .....	(36,565)	\$3.40	(4,368)	\$2.86
Forfeited .....	—		—	
Nonvested balance at December 31, 2009.....	—		16,537	\$2.47
Granted .....	—		—	
Vested .....	—		(6,865)	\$2.55
Forfeited .....	—		—	
Nonvested balance at December 31, 2010.....	—		9,672	\$2.41
Unrecognized Compensation Costs	\$ 0		\$2,185	
Weighted Average Period Remaining .....	0.0	Years	0.6	Years

Excluded from the table above are 54,847 and 107,494 shares as of December 31, 2010 and 2009, respectively, that represent future Company matching contributions being earned on account of shares deferred by participants in the Deferred Stock Account Plan. Under the plan, the number of matching shares contributed by the Company varies based upon the length of the deferral period(s) selected by plan participants and the contribution is earned upon expiration of the related deferral period(s). The amortization of the cost associated with matching contribution shares is, and has been, included in the compensation expense of the Company, all of which is included in selling, general and administrative expense. There was approximately \$16,000 of unamortized compensation expense related to such matching contribution shares as of December 31, 2010 that is expected to be recognized over a weighted average period of 0.5 years.

The following table summarizes stock option activity for the twelve month periods ended December 31, 2010 and 2009.

	Shares	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
	Outstanding	Price	Terms (in years)	Value
Outstanding at December 31, 2008 .....	1,858,711	\$ 1.91	6.56	\$ 49,348
Exercised .....	—	—		
Canceled .....	(7,865)	\$13.47		
Granted .....	482,721	\$ 0.36		
Outstanding at December 31, 2009 .....	2,333,567	\$ 1.55	6.39	\$ 106,866
Exercised .....	—	—		
Canceled .....	(25,296)	\$ 5.95		
Granted .....	532,548	\$ 0.28		
Outstanding at December 31, 2010 .....	2,840,819	\$ 1.27	6.20	\$ 110,598
Options exercisable at December 31, 2010 .....	1,510,193	\$ 1.67	4.16	\$ —

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**9. Stock based compensation plans (Continued)**

The weighted average grant-date fair value of options granted for the twelve month periods ended December 31, 2010 and 2009 was \$0.28 and \$0.36, respectively. There were no options exercised during 2010 or 2009.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at December 31, 2010 is as follows:

	Options Outstanding			Options Exercisable	
	Number Of Options <u>Outstanding</u>	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Of Options <u>Exercisable</u>	Weighted Average Exercise Price
\$0.17 - \$0.65	1,141,080	7.95	\$ 0.34	180,040	\$ 0.60
\$0.76	333,851	2.47	\$ 0.76	333,851	\$ 0.76
\$0.80-\$2.90	1,339,087	5.66	\$ 2.15	969,501	\$ 2.14
\$3.10-\$3.27	26,801	4.91	\$ 3.16	26,801	\$ 3.16
	2,840,819	6.20	\$ 1.27	1,510,193	\$ 1.67

The Company accounts for stock options using the provisions of ASC 718, "Compensation-Stock Compensation" which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors based on estimated fair values. Total compensation expense related to all stock-based compensation plans (including restricted stock) for the twelve months ended December 31, 2010 and 2009, was \$0.1 and \$0.2 million, respectively.

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

	Twelve months ended December 31,	
	2010	2009
Risk free interest rate	.63% - 1.66%	1.15% - 1.70%
Expected life	3.0	3.0
Expected volatility	73% - 79%	67% - 74%
Expected dividend yield	0%	0%

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**10. Employee benefits**

In conjunction with the sale of its then subsidiary DNE Systems, Inc in 2004, the Company entered into an agreement with a certain former employee that entitles the former employee to a benefit accrued under the former supplemental executive retirement plan (“SERP”), payable at normal retirement age (65). The employee does not accrue any additional benefits, except for interest, under the SERP and the Company has the right to pay the actuarial equivalent lump sum value of the SERP to the former employee at its election with 30 days prior notice to the employee. The Company has recorded the present value of the SERP liability of \$0.5 million as an other long-term liability as of December 31, 2010 and 2009.

Prior to 2002, Alpine sponsored an unfunded SERP. During 2001, the Company terminated or froze SERP benefits for certain employees resulting in a curtailment loss of \$2.5 million and a settlement loss of \$2.5 million. The benefits were paid out in 2002 or deposited in rabbi trust accounts, effectively terminating Alpine’s SERP. The amounts remaining in the rabbi trust accounts, all of which are related to two current employees and included in other current assets as of December 31, 2010 and 2009, were \$1.0 and \$0.8 million, respectively. There is an equal and offsetting liability included in accrued expenses as of December 31, 2010 and 2009.

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

Following the acquisition of Exeon in December 2002, Exeon established a defined contribution plan covering substantially all employees of Exeon and Alpine. The plan provides for limited matching of employee contributions. Posterloid has a separate defined contribution plan which provides for limited matching of employee contributions. Company contributions to both these plans for the years ended December 31, 2010 and 2009 were approximately \$0.1 million per year.

In December 2005, the Compensation Committee approved the adoption of The Alpine Group, Inc. Deferred Cash Account Plan (the “Plan”), which provides senior executives of the Company and its subsidiaries designated by the Compensation Committee with the opportunity to defer receipt of and taxation upon all or a portion of such executives’ cash compensation for a range of deferral or referral periods elected by each executive as set out in the Plan. Amounts deferred under the Plan remain assets of the Company subject to claims of its creditors and any investment gains or losses upon such deferred amounts are exclusively for the respective accounts of participating executives. There are no provisions in the Plan for any Company match or contribution to the Plan. As of December 31, 2010 and 2009 there were no amounts contributed to such plan.

**11. Derivative financial instruments and fair value information**

The Company to a certain extent uses forward fixed price contracts and derivative financial instruments to manage commodity price risks. The Company is exposed to credit risk in the event of nonperformance by counterparties for metal forward price contracts, and metals futures contracts but the Company does not anticipate nonperformance by any of these counterparties. The Company is required by its brokers to make initial margin deposits based upon the net positions outstanding on a daily basis. In addition, the Company generally sends or receives cash to / from the brokers daily based upon the variation in 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 \$6.4 and \$0.6 million as of December 31, 2010 and 2009, respectively, and is included in Restricted cash. 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 (see Note 13) were matched with respective mirror image hedge contracts with Exeon. The arrangement between Exeon and Wolverine provides for Wolverine to have on deposit with Exeon \$0.20 per copper pound for each copper pound covered by open firm price commitments dated on or after September 1, 2010 and for the parties to pay or refund variation margin obligations to the extent that Exeon pays or is refunded such obligations to / from its broker. Such deposits were \$0.9 million as of December 31, 2010. The amount of variation margin is generally limited to the unrealized gains (losses) within the underlying contracts. Since the fair market value of copper exceeded the weighted average value of the long positions at December 31, 2010 and 2009, no deposit was required from Wolverine at either date for variation margin. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**11. Derivative financial instruments and fair value information (Continued)**

*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 a mirror image forward contract order with its commodity broker in order to fix the price agreed to with Wolverine. There were 4.6 and 6.2 million copper pounds committed under such arrangement as of December 31, 2010 and 2009, 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 Tolling Agreement (see Note 13). There was a total of 3.3 and 5.0 million net copper pounds that were hedged related to these agreements as of December 31, 2010 and 2009, 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 1.7 and 1.8 million net copper pounds that were hedged under this arrangement as of December 31, 2010 and 2009, 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 2.1 and 1.2 million net long copper pounds related to such commitments as of December 31, 2010 and 2009, respectively.

*Silver*

As a result of its activities under the WJT Toll Agreement, Exeon is exposed to risks of commodity market price declines in its silver inventories. Accordingly, commencing in December 2009, the Company entered 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 0.3 million net short silver troy ounces that were hedged under these hedging arrangements as of December 31, 2010 and 2009, respectively, which served to hedge the outstanding inventory as of those dates.

The fair value of the Company's derivative instruments as of December 31, 2010 and 2009 were as follows:

Derivatives not designated as hedging instruments	December 31, 2010			
	Asset		Liability	
	Net Position*	Derivatives Fair Value	Net Position*	Derivatives Fair Value
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>

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**11. Derivative financial instruments and fair value information (Continued)**

Derivatives not designated as hedging instruments	December 31, 2009			
	Net Position*	Asset	Net Position*	Liability
		Derivatives Fair Value		Derivatives Fair Value
Commodity Contracts				
Copper – Broker	6.2 L	\$ 1.7	6.8 S	\$ (1.1)
Copper – Affiliate		—	6.2 S	(1.7)
Copper – Vendor / customer	1.2 L	0.2		—
Silver - Broker		—	0.3 S	—
Total		\$ 1.9		\$(2.8)

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

The net short copper positions above of 2.9 and 5.6 million copper pounds as of December 31, 2010 and 2009, respectively, were to economically hedge a like amount of physical copper inventory. Similarly, the 0.6 and 0.3 million troy ounces of silver as of December 31, 2010 and 2009, respectively, were to economically hedge a like amount of physical silver 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 \$0.7 million loss and \$2.1 million loss for the years ended December 31, 2010 and 2009, 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 \$0.4 and \$0.5 million as of December 31, 2010 and 2009, respectively, and a like amount of firm silver priced sales commitments as of those respective dates.

**12. Commitments and contingencies**

Total rent expense under cancelable and noncancelable operating leases was \$0.7 and \$0.8 million during the years ended December 31, 2010 and 2009, respectively.

At December 31, 2010, future minimum lease payments under noncancelable operating leases are as follows:

<u>Year</u>	<u>(in thousands)</u>
2011 .....	\$ 689
2012 .....	629
2013 .....	609
2014 .....	490
2015 .....	405
Thereafter .....	304
Total .....	\$ 3,126

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

Alpine's operations are subject to environmental laws and regulations in each of the jurisdictions in which it owns or operates facilities or as to certain former operations, for which it has assumed liabilities, governing, among other things, emissions into the air, discharges to water, the use, handling and disposal of hazardous substances and the investigation and remediations of soil and groundwater contamination both on-site at past and current facilities and at off-site disposal locations. Alpine, as to two sites, is

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**12. Commitments and contingencies (Continued)**

currently involved in environmental investigations and in certain remedial activities being required under the oversight of a state regulatory agency. Additionally, Exeon, as to one site, may be required to undertake certain environmental investigation which may result in remedial activities being required under the oversight of a state regulatory agency. Alpine currently does not believe that any of the environmental matters for which it may be liable will have a material adverse effect upon its business, financial condition, liquidity or results of operations.

*Compensation of Directors*

The Company pays an annual retainer to each of its directors who are not employees of the Company or otherwise compensated by the Company equal to \$35,000, together with their expenses for attendance at meetings of the Board of Directors. Under The Alpine Group, Inc. Stock Compensation Plan for Non-Employee Directors (the "Stock Compensation Plan") (see Note 9) and prior to 2009, non-employee directors of the Company automatically received 50% of the annual retainer in either restricted stock or stock options, as elected by the non-employee director. In addition, each non-employee director could elect to receive the remaining amount of the annual retainer, in the form of restricted stock and/or stock options and/or cash payment. Commencing in 2009, 50% of the total annual non-employee director compensation automatically will be paid in cash and the remaining 50% will be in the form of restricted stock and/or stock options as selected by each non-employee director. The Stock Compensation Plan is administered and interpreted by the Board of Directors.

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

**13. Related party transactions**

In August 2006 Exeon and SCL entered into a supply agreement pursuant to which Exeon could elect to purchase copper rod for resale to SCL for use in SCL's manufacturing operations. SCL did not purchase any product from Exeon during 2010 or 2009.

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 \$168.3 and \$108.6 million for the twelve month periods ended December 31, 2010 and 2009, respectively. The copper handling fee which represents the net sale that was recorded in accordance with FASB ASC 605-45 (see Note 1) was \$439,000 and \$456,000 for the twelve month periods ended December 31, 2010 and 2009, 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. During both of the twelve month periods ended December 31, 2010 and 2009, the Company recorded \$1.3 million as a credit against selling, general and administrative expenses related to management fees under such agreement.

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

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**13. Related party transactions (Continued)**

products shipped. The toll services fee is adjusted periodically, if necessary. The effective fee charged for the twelve month period ended December 31, 2010 was \$5.38. 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 \$16.0 and \$0.4 million in toll service fees during the twelve month period ended December 31, 2010 and 2009, respectively, of which \$3.1 and \$0.4 million were unpaid as of December 31, 2010 and 2009, respectively. In addition Exeon purchased approximately \$3.1 million of inventory from WJT during the twelve months ended December 31, 2010, virtually all of which occurred during the first quarter of 2010 at the time of and in connection with the implementation of the toll arrangement between the parties. Exeon purchased \$3.9 million of inventory from WJT in December 2009.

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 five months ended December 31, 2010 was \$1.04. 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 \$2.5 million for raw material inventory purchases related to the Ardmore Toll Agreement during the five month period ended December 31, 2010 of which \$1.3 million was unpaid as of December 31, 2010.

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 March 28, 2011, the market value of SCL ordinary shares on the Tel Aviv Stock Exchange was NIS 0.125 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.

A former officer and current director of the Company receives an annual annuity of \$18,900 in accordance with a former employment agreement with the Company. The annuity is a 15 year annuity which commenced in 2000. The outstanding balance due as of December 31, 2010 was approximately \$87,000.

A former officer and current director of the Company receives an annual annuity of \$34,700 and a monthly annuity of \$7,378 in accordance with former employment agreements with the Company. The terms of the annuities are each 15 years and commenced in 2001 and 2002, respectively. The outstanding balances due as of December 31, 2010 were approximately \$154,000 and \$447,000, respectively.

**THE ALPINE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**December 31, 2010 and 2009**

**13. Related party transactions (Continued)**

At December 31, 2009, Alpine had outstanding loans to certain officers totaling \$69,000 relating to the tax implications associated with the exercise in prior years of stock options and restricted stock grants. The unpaid balance, which is added to accumulated deficit, bears interest at prime plus 0.5%. Such loans were forgiven by the Company over a 10 year period which commenced January 1, 2001 and ended December 31, 2010. During this period approximately \$70,000 per year was amortized as loan forgiveness, which was included in selling, general and administrative expense. As of December 31, 2010, Alpine has no loans to officers outstanding.

**14. Quarterly financial information (unaudited)**

The Company's quarterly results of operations for the year ended December 31, 2010 and 2009 are as follows:

	2010				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales .....	\$ 23,100	\$ 30,581	\$ 32,770	\$ 37,359	\$ 123,810
Gross profit (loss) .....	1,259	2,202	(810)	(3,245)	(594)
Hedge mark-to-market, lower cost or market and LIFO adjustments, net – gain/(loss) (a) ...	130	953	(2,560)	(3,728)	(5,205)
Equity in gain/(loss) of affiliates.....	(139)	(195)	139	(1,528)	(1,723)
Net income (loss) .....	(275)	233	(1,087)	(7,361)	(8,490)
Net income (loss) per share of common stock – basic and fully diluted (b)	(0.02)	0.01	(0.06)	(0.43)	(0.50)
	2009				
	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(in thousands, except per share data)				
Net sales .....	\$ 6,715	\$ 6,901	\$ 10,978	\$ 12,083	\$ 36,677
Gross profit (loss) .....	933	1,075	1,292	(490)	2,810
Hedge mark-to-market, lower of cost or market and LIFO adjustments, net – gain/(loss) (a)	30	159	(89)	(1,753)	(1,654)
Equity in loss of affiliates	—	(1,272)	(1,403)	(10,443)	(13,118)
Net loss.....	(369)	(1,641)	(1,383)	(4,411)	(7,804)
Net loss per share of common stock – basic and fully diluted (b)	(0.04)	(0.15)	(0.13)	(0.36)	(0.69)

- (a) Amounts represent non-cash pre-tax adjustments included in the gross profit amounts for the respective periods shown here. Approximately 60% of these amounts are included in the net income/(loss) amounts for the respective periods shown here. In Company management's opinion, these non-cash adjustments do not have any impact on the operating performance of the Company.
- (b) Earnings per share for the quarters are computed independently and the sum thereof may not equal the earnings per share computed for the total year.

**15. Subsequent event**

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2010. Management has performed their analysis through April 11, 2011, the date of the financial statements were available to be issued. No additional adjustments and/or disclosures were deemed necessary.