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SECURITIES AND EXCHANGE COMMISSION

UNIT 10031541

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
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PART III**

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DIVISION OF MARKET REGULATION

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 11/1/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Alpine Associates
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG LLP

(Name - if individual, state last, first, middle name)

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Financial Statements and Schedules

**(With Report of Independent Registered Public Accounting Firm on Internal Control
Pursuant to SEC Rule 17a-5)**

December 31, 2009

(With Report of Independent Registered Public Accounting Firm Thereon)

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

The Partners

Alpine Associates, A Limited Partnership:

We have audited the accompanying statement of financial condition of Alpine Associates, A Limited Partnership (the Partnership), including the condensed schedule of investments, as of December 31, 2009, and the related statement of income, changes in partnership capital, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alpine Associates, A Limited Partnership as of December 31, 2009, and the results of its operations, the changes in partnership capital, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

February 26, 2010

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Statement of Financial Condition

December 31, 2009

Assets

Cash and cash equivalents	\$ 14,510,218
Deposits with clearing organizations	1,289,820
Securities owned, at fair value (cost \$1,418,730,942) (notes 3 and 4)	1,499,442,989
Receivables from brokers, dealers, and clearing organizations (notes 4 and 6)*	1,034,582,831
Receivables from affiliates (note 5)	97,468
Dividends and interest receivable	4,823,140
Furniture, fixtures, and equipment, at cost, less accumulated depreciation of \$266,413	228,898
Other assets	126,191
Total assets	\$ 2,555,101,555

Liabilities and Partnership Capital

Liabilities:

Securities sold, not yet purchased, at fair value (proceeds \$612,642,976) (note 3)	\$ 649,078,277
Payables to brokers, dealers, and clearing organizations (notes 4 and 6)*	745,904,036
Payable to affiliates (notes 4 and 5)	2,311,954
Dividends and interest payable	1,326,204
Accounts payable, accrued expenses, and other liabilities	351,685
Total liabilities	1,398,972,156

Commitments and contingencies (note 10)

Partnership capital:

General partner	1,000
Limited partners	1,156,128,399
Total partnership capital (note 8)	1,156,129,399
Total liabilities and partnership capital	\$ 2,555,101,555

* Includes \$413,750,317 of securities borrowed which have been reloaned to other counterparties.

See accompanying notes to financial statements.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Condensed Schedule of Investments

December 31, 2009

	<u>Shares</u>	<u>Fair value</u>
Securities owned, at fair value (129.70%):		
Common stock (81.40%):		
Communications (1.90%)		\$ 21,985,335
Consumer (10.45%):		
Pepsi Bottling Group Inc. (7.14%)	2,200,000	82,500,000
Other (3.31%)		<u>38,316,706</u>
Total consumer		<u>120,816,706</u>
Energy (14.66%):		
BJ Services Co. (5.95%)	3,700,000	68,820,000
Other (8.71%)		<u>100,665,251</u>
Total energy		<u>169,485,251</u>
Financial (0.98%)		11,292,068
Healthcare (3.37%)		38,981,272
Industrial (16.95%):		
Burlington Northern Santa Fe Corp. (12.37%)	1,450,000	142,999,000
Other (4.58%)		<u>53,008,674</u>
Total industrial		<u>196,007,674</u>
Manufacturing (7.83%):		
Black & Decker Corp. (7.57%)	1,350,000	87,520,500
Other (0.26%)		<u>3,027,617</u>
Total manufacturing		<u>90,548,117</u>
Media and entertainment (1.12%)		12,961,990
Pharmaceutical (2.08%)		24,022,964
Real estate (0.32%)		3,661,758
Technology (20.88%):		
Affiliated Computer Services (5.94%)	1,150,000	68,643,500
3Com Corp. (5.25%)	8,100,000	60,750,000
Other (9.69%)		<u>111,962,918</u>
Total technology		<u>241,356,418</u>
Utilities (0.27%)		3,133,227
Other (0.59%)		<u>6,870,000</u>
Total common stock (cost \$871,723,183)		<u>941,122,780</u>
Exchange traded funds (1.19%)		
Other (1.19%)		<u>13,776,000</u>
Total exchange traded funds (cost \$13,614,000)		<u>13,776,000</u>
Preferred stock (13.78%):		
Energy (9.74%)		112,595,724
Healthcare (1.05%)		12,137,592
Industrial (2.80%)		32,445,248
Technology (0.19%)		<u>2,034,320</u>
Total preferred stock (cost \$135,888,074)		<u>159,212,884</u>

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Condensed Schedule of Investments

December 31, 2009

	<u>Fair value</u>	
Convertible bonds (28.52%):		
Communications (1.85%)	\$ 21,431,436	
Consumer (1.93%)	22,358,762	
Financial (3.25%)	37,548,246	
Healthcare (2.38%)	27,568,403	
Industrial (2.37%)	27,432,675	
Internet (2.97%)	34,299,973	
Manufacturing (3.22%)	37,068,890	
Pharmaceutical (2.01%)	23,226,321	
Real estate (3.30%)	38,150,570	
Technology (4.75%)	54,940,352	
Utilities (0.49%)	5,643,330	
Total convertible bonds (cost \$309,421,791)	<u>329,668,958</u>	
Options (0.01%):		
Industrial (0.00%)	37,605	
Other (0.01%)	99,000	
Total options (cost \$623,219)	<u>136,605</u>	
Other securities (1.23%):		
Communications (0.03%)	305,892	
Energy (0.68%)	7,838,779	
Financial (0.00%)	25,000	
Manufacturing (0.52%)	6,056,829	
Total other securities (cost \$20,203,505)	<u>14,226,500</u>	
Distressed bonds (1.19%):		
Consumer (0.66%)	7,655,140	
Manufacturing (0.53%)	6,100,000	
Total distressed bonds (cost \$18,449,071)	<u>13,755,140</u>	
Debt securities (2.28%):		
Consumer (0.70%)	8,139,583	
Financial (0.34%)	3,979,233	
Industrial (0.38%)	4,419,171	
Manufacturing (0.37%)	4,250,000	
Media & Entertainment (0.28%)	3,143,434	
Technology (0.21%)	2,476,000	
Total debt securities (cost \$46,094,770)	<u>26,407,421</u>	
Privately held securities (0.10%):		
Financial (0.00%)	9,328	
Internet (0.10%)	1,127,373	
Total privately held securities (cost \$2,713,329)	<u>1,136,701</u>	
Total securities owned, at fair value (cost \$1,418,730,942)	<u>\$ 1,499,442,989</u>	
		<u>Percentage</u>
	<u>Investment in</u>	<u>of investments</u>
	<u>securities</u>	<u>in securities,</u>
	<u>owned, at fair</u>	<u>owned, at</u>
	<u>value</u>	<u>fair value</u>
Country composition:		
United States	\$ 1,393,643,415	92.94%
Canada	56,558,010	3.77
Norway	23,833,120	1.59
Australia	17,666,389	1.18
Channel Islands	7,742,055	0.52
	<u>\$ 1,499,442,989</u>	<u>100.00%</u>

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Condensed Schedule of Investments

December 31, 2009

	<u>Shares</u>	<u>Fair value</u>
Securities sold, not yet purchased, at fair value (56.14%):		
Common stock (55.68%):		
Communications (1.67%)		\$ 19,249,832
Consumer (7.29%)		84,311,049
Energy (14.40%)		166,400,770
Financial (3.29%)		38,042,919
Healthcare (2.40%)		27,790,329
Industrial (5.35%)		61,876,237
Internet (3.08%)		35,665,575
Manufacturing (9.83%):		
The Stanley Works (7.39%)	1,657,714	85,388,848
Other (2.44%)		28,217,835
Total manufacturing		<u>113,606,683</u>
Pharmaceutical (1.60%)		18,505,368
Real estate (2.60%)		30,089,914
Technology (3.84%)		44,360,964
Utilities (0.33%)		3,813,137
Total common stock (proceeds \$606,762,486)		<u>643,712,777</u>
Exchange traded funds (0.46%):		
Other (0.46%)		5,365,500
Total exchange traded funds (proceeds \$5,880,490)		<u>5,365,500</u>
Total securities sold, not yet purchased, at fair value (proceeds \$612,642,976)		<u>\$ 649,078,277</u>

	<u>Securities sold, not yet purchased, at market value</u>	<u>Percentage of securities sold, not yet purchased, at market value</u>
Country composition:		
United States	\$ 643,382,309	99.12%
Canada	5,687,581	0.88
Channel Islands	8,387	—
	<u>\$ 649,078,277</u>	<u>100.00%</u>

	<u>Fair value</u>
Total return equity swaps (0.01%):	
Unrealized appreciation on total return equity swaps *	\$ <u>172,868</u>

	<u>Notional amount of total return equity swaps</u>	<u>Percentage of notional amount of total return equity swaps</u>
Country composition:		
Great Britain	\$ 21,470,453	40.25%
Australia	18,410,962	34.52
United Arab Emirates	6,772,677	12.70
Canada	6,683,442	12.53
	<u>\$ 53,337,534</u>	<u>100.00%</u>

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Condensed Schedule of Investments

December 31, 2009

	<u>Fair value</u>
Index credit default swaps (0.01%):	
Unrealized depreciation on index credit default swaps *	\$ <u>85,937</u>

	<u>Notional amount of index credit default swaps</u>	<u>Percentage of notional amount of index credit default swaps</u>
Country composition:		
United States	\$ <u>4,700,000</u>	<u>100.00%</u>

	<u>Fair value</u>
Futures (0.01%):	
Unrealized depreciation on total futures *	\$ <u>138,826</u>

	<u>Notional amount of total futures</u>	<u>Percentage of notional amount of futures</u>
Country composition:		
United States	\$ <u>61,342,328</u>	<u>100.00%</u>

* Unrealized appreciation and depreciation on total return equity swaps, index credit default swaps and futures are recorded within receivables from brokers, dealers, and clearing organizations and payables to brokers, dealers and clearing organizations, respectively (note 4).

	<u>Shares</u>	<u>Fair value</u>
Shorts against the box – held long (85.40%):		
Communications (6.89%)		\$ 79,697,672
Energy (6.40%)		74,021,819
Financial (1.06%)		12,290,306
Healthcare (7.18%):		
Covidien Plc (6.27%)	1,514,362	72,522,796
Other (0.91%)		10,515,075
Total healthcare		<u>83,037,871</u>
Industrial (10.57%)		122,133,250
Internet (5.05%)		58,397,617
Manufacturing (6.71%)		77,540,256
Media and entertainment (20.01%):		
Comcast Corp. (5.53%)	3,791,575	63,925,955
Other (14.48%)		167,453,707
Total media and entertainment		<u>231,379,662</u>
Pharmaceutical (17.05%):		
AmerisourceBergen Corp. (15.60%)	6,918,648	180,369,153
Other (1.45%)		16,725,000
Total pharmaceutical		<u>197,094,153</u>
Technology (4.48%)		51,782,453
Total shorts against the box – held long (cost \$869,107,661)		\$ <u>987,375,059</u>

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Condensed Schedule of Investments

December 31, 2009

	<u>Shares</u>	<u>Fair value</u>
Shorts against the box – held short (85.40%):		
Communications (6.89%)		\$ 79,697,672
Energy (6.40%)		74,021,819
Financial (1.06%)		12,290,306
Healthcare (7.18%):		
Covidien Plc (6.27%)	1,514,362	72,522,796
Other (0.91%)		10,515,075
Total healthcare		<u>83,037,871</u>
Industrial (10.57%)		122,133,250
Internet (5.05%)		58,397,617
Manufacturing (6.71%)		77,540,256
Media and entertainment (20.01%):		
Comcast Corp. (5.53%)	3,791,575	63,925,955
Other (14.48%)		167,453,707
Total media and entertainment		<u>231,379,662</u>
Pharmaceutical (17.05%):		
AmerisourceBergen Corp. (15.60%)	6,918,648	180,369,153
Other (1.45%)		16,725,000
Total pharmaceutical		<u>197,094,153</u>
Technology (4.48%)		51,782,453
Total shorts against the box – held short (proceeds \$1,330,464,337)		<u>\$ 987,375,059</u>

Unless otherwise noted, investment percentages are based upon percentage of total partnership capital.

See accompanying notes to financial statements.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Statement of Income

Year ended December 31, 2009

Revenues:

Interest earned from borrowed securities	\$ 2,298,550
Trading and arbitrage gains	108,765,875
Dividend income	20,099,623
Interest income	11,378,180
	<hr/>
Total revenues	142,542,228

Expenses:

Interest incurred on loaned securities	1,149,175
Advisory fee (note 5)	27,158,683
Operating expenses (note 5)	6,725,372
Interest expense (note 5)	6,604,571
Dividends on securities sold short	10,434,491
Commissions and clearing costs	6,346,094
Legal fees and other professional services	781,618
Compensation of the general partner (note 5)	50,000
	<hr/>
Total expenses	59,250,004
	<hr/>
Net income	\$ 83,292,224

See accompanying notes to financial statements.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Statement of Changes in Partnership Capital

Year ended December 31, 2009

	<u>General partner</u>	<u>Limited partners</u>	<u>Total</u>
Balance as of December 31, 2008	\$ 21,337	1,151,259,725	1,151,281,062
Capital contributions	—	31,401,377	31,401,377
Capital withdrawals	(22,095)	(109,823,169)	(109,845,264)
Net income	1,758	83,290,466	83,292,224
Balance as of December 31, 2009	\$ <u>1,000</u>	<u>1,156,128,399</u>	<u>1,156,129,399</u>

See accompanying notes to financial statements.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Statement of Cash Flows

Year ended December 31, 2009

Cash flows from operating activities:	
Net income	\$ 83,292,224
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	76,337
(Increase) decrease in operating assets:	
Deposits with clearing organizations	6,800,000
Securities owned, at fair value	(854,371,851)
Receivables from brokers, dealers, and clearing organizations	(81,157,140)
Receivables from affiliates	402,822
Dividends and interest receivable	(1,558,746)
Other assets	22,086
Increase (decrease) in operating liabilities:	
Securities sold, not yet purchased, at fair value	375,393,780
Payables to brokers, dealers, and clearing organizations	560,968,577
Payable to affiliates	(8,818)
Dividends and interest payable	864,870
Accounts payable, accrued expenses, and other liabilities	105,319
Net cash provided by operating activities	<u>90,829,460</u>
Cash flows from investing activities:	
Purchase of furniture, fixtures, and equipment	<u>(39,156)</u>
Net cash used in investing activities	<u>(39,156)</u>
Cash flows from financing activities:	
Capital contributions	31,401,377
Capital withdrawals	<u>(109,845,264)</u>
Net cash used in financing activities	<u>(78,443,887)</u>
Net increase in cash and cash equivalents	12,346,417
Cash and cash equivalents as of beginning of year	<u>2,163,801</u>
Cash and cash equivalents as of end of year	<u>\$ 14,510,218</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 7,545,409

See accompanying notes to financial statements.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

(1) Organization and Nature of Business

Alpine Associates, A Limited Partnership, (Alpine or the Partnership) is a limited partnership organized under the laws of New Jersey. The general partner (Eckert Corporation) is a corporation whose sole shareholder is also a limited partner.

Alpine trades equity securities, convertible debt, options, swaps, futures contracts, and other financial instruments for its own account. These trading activities are primarily related to merger arbitrage.

Alpine is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

Profits and losses are allocated as follows:

- a. Net profits, after a 12% priority distribution to the limited partners (as defined in the Partnership Agreement), but only until Alpine shall earn a 20% return, are allocated 70% to the limited partners and 30% to the general partner. Subsequent to Alpine earning a 20% return, net profits are allocated 80% to the limited partners and 20% to the general partner.
- b. Net losses are allocated first to the general partner based on its share of capital (as defined), and the remaining net losses are allocated to the limited partners. Net profits allocated to the general partner are not subject to reduction by net losses if a limited partner withdraws capital and a portion of the withdrawal represents profits in excess of the priority distribution.

(2) Significant Accounting Policies

(a) Security Valuations

Exchange-traded equity securities and futures are valued at the last sales price on the principal exchange on which the security is traded. If there is no trading volume for a particular valuation day, the last bid price is used. For equity securities traded in the over-the-counter market, the security is valued at the last sale price, or if no sale, at the latest bid price available. Debt securities and index credit default swaps are valued on the basis of prices obtained from an independent pricing source or broker quotes. The pricing source may utilize various pricing methodologies that incorporate both models (which consider factors such as yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds and trading characteristics) and dealer-supplied valuations to derive a valuation. Investments (including certain private equity and distressed debt investments) which are not readily marketable are valued at their estimated fair value as determined by the general partner. Short against the box represents equity securities sold, not yet purchased, for which Alpine has a corresponding equity securities-owned position. Exchange-traded total return equity swaps are valued based on the last sales price, of the reference security, on the principal exchange on which the reference security is traded.

Securities borrowed and securities loaned are carried at contract value. Interest income and expense on securities borrowed and loaned transactions are recorded as interest earned from borrowed securities and interest incurred on loaned securities, respectively, in the accompanying statement of income.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

(b) Security Transactions

Security transactions are recorded on a trade-date basis. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized. Net change in unrealized appreciation or depreciation reflects the change in investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

Interest income is recorded on an accrual basis to the extent that Alpine expects to collect such amounts. For loans and debt investments with contractual paid-in-kind (PIK) interest, which represents interest accrued and added to the loan balance that generally becomes due at maturity, Alpine will generally not accrue PIK interest when the portfolio company valuation indicates that such PIK interest is not collectable. Alpine does not accrue as a receivable interest on loans and debt investments if it has reason to doubt its ability to collect such interest. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that Alpine expects to collect such amounts.

(c) Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of 5 to 10 years.

(d) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated at year-end spot exchange rates, with resulting gains and losses reflected in the accompanying statement of income as a component of trading and arbitrage gains.

(e) Cash Equivalents

Alpine considers demand deposits and short-term fixed income highly liquid investments with original maturities of less than three months to be cash equivalents.

(f) Trading and Arbitrage Gains

Trading and arbitrage gains include both net realized and unrealized gains and losses on securities owned and securities sold.

(g) Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the valuation of certain investments, disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) New Accounting Pronouncements

In March of 2008, the FASB issued guidance on, *Disclosures about Derivative Instruments and Hedging Activities*, or ASC 815-10-50. ASC 815-10-50 amends and expands the disclosure

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

requirements of ASC 815 to provide enhanced information about an entity's derivative activities. The primary objectives of ASC 815-10-50 are to provide users of financial statements with an improved degree of transparency and understanding of how and why an entity uses derivative instruments, how derivative instruments are accounted for, and how derivative instruments affect an entity's financial position, results of operations and its cash flows. See note 4 for the implementation of ASC 815-10-50.

In May 2009, FASB issued guidance on, *Subsequent Events*, or ASC 855, which establishes general accounting standards for and disclosure of events that occur after the balance sheet date but before the financial statements are issued. See note 12 for the implementation of ASC 855.

(3) Fair Value Measurements

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

The hierarchy requires the use of observable market data when available. As required by ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following is a summary of the levels within the fair value hierarchy for the Partnership's assets and liabilities as of December 31, 2009:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Securities owned, at fair value:				
Common stock	\$ 938,410,641	2,712,139	—	941,122,780
Preferred stock	—	159,212,884	—	159,212,884
Convertible bonds	—	329,668,958	—	329,668,958
Options	—	136,605	—	136,605
Exchange traded funds	13,776,000	—	—	13,776,000
Other securities	—	427,625	13,798,875	14,226,500
Distressed bonds	—	6,100,000	7,655,140	13,755,140
Debt securities	—	7,393,434	19,013,987	26,407,421
Privately held securities	—	—	1,136,701	1,136,701
Total assets	\$ 952,186,641	505,651,645	41,604,703	1,499,442,989
Securities sold, not yet purchased, at fair value:				
Common stock	\$ 643,712,777	—	—	643,712,777
Exchange traded funds	5,365,500	—	—	5,365,500
Total securities sold, not yet purchased, at fair value	649,078,277	—	—	649,078,277
Total return equity swaps	—	172,868	—	172,868
Index credit default swaps	—	85,937	—	85,937
Futures contracts	138,826	—	—	138,826
Total liabilities	\$ 649,217,103	258,805	-	649,475,908

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Partnership has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

	<u>Balance at January 1, 2009</u>	<u>Realized and unrealized gains (losses)</u>	<u>Purchases, sales, and settlements</u>	<u>Net transfers in and/or (out) of Level 3</u>	<u>Balance at December 31, 2009</u>
Assets:					
Common stock	\$ 12,750	(12,750)	—	—	—
Other securities	6,477,794	1,959,560	—	5,361,521	13,798,875
Distressed bonds	9,092,900	(562,760)	(875,000)	—	7,655,140
Debt Securities	24,559,970	(4,618,783)	(927,200)	—	19,013,987
Privately held investments	1,328,248	1,064,126	(1,255,673)	—	1,136,701
Total Level III Securities	<u>\$ 41,471,662</u>	<u>(2,170,607)</u>	<u>(3,057,873)</u>	<u>5,361,521</u>	<u>41,604,703</u>

Realized and unrealized gains and losses are included in trading and arbitrage losses in the statement of income. The change in unrealized losses for the year ended December 31, 2009 for investments still held at December 31, 2009 of \$3.2 million is reflected in trading and arbitrage gains in the statement of income.

The Partnership holds financial instruments for which limited or no observable market data is available. Fair value measurements for these instruments fall within Level 3 of the fair value hierarchy of ASC 820, *Fair Value Measurements*. These fair value measurements are based primarily upon management's own estimates and are often calculated based on our current pricing policy, the current economic and competitive environment, the characteristics of the instrument, credit, interest, and currency rate risks, and other such factors. Therefore, the results cannot be determined with precision, cannot be substantiated by comparison to prices quoted in active markets, and may not be realized in a current sale or immediate settlement of the asset or liability. Additionally, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect the fair value measurement amounts.

(4) Derivatives

Alpine enters into exchange-traded equity futures and equity option positions to hedge its trading and arbitrage positions. Alpine will also enter into exchange-traded interest rate and foreign exchange futures to hedge interest rate fluctuations and currency exposures. Alpine also enters into certain swap contracts for purposes other than hedging, including total return equity swaps and index credit default swaps. All derivative instruments are recorded at fair value in the statement of financial condition with the resultant changes in fair value of derivatives recorded as a component of trading and arbitrage gains in the accompanying statement of income.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

The following table summarizes the fair values of derivative instruments and volume of derivative activity, categorized by primary underlying risk, as well as their location within the statement of financial condition at December 31, 2009.

Primary underlying risk	Assets			Liabilities		
	Notional amounts/ number of contracts	Statement of financial condition location	Fair value	Notional amounts/ number of contracts	Statement of financial condition location	Fair value
Price risk:						
Total return equity swaps	—		\$ —	53,337,534	Payables to brokers, dealers and clearing organizations	\$ (172,868)
Index credit default swaps	—		—	4,700,000	Payables to brokers, dealers and clearing organizations	(85,937)
Commodity futures	—		—	475	Payables to brokers, dealers and clearing organizations	(33,975)
Equity options	8,014	Securities owned, at fair value	136,605	—		—
Participation Agreements	—		—	9,425,861	Payables to affiliates	(104,887)
Currency risk:						
U.S. dollar futures	—		—	462	Payables to brokers, dealers, and clearing organizations	(104,851)
Swap agreements	162	Receivables from affiliates	—	—		—

The above volume of derivatives activity is representative of the volume of derivatives activity throughout the year ended December 31, 2009. Cash and securities of approximately \$1.8 million were pledged by Alpine as collateral for derivative contracts outstanding at December 31, 2009.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

The following table identifies the net gain and loss amounts recognized in income from derivative instruments, categorized by primary underlying risk. All gains and losses are recorded in trading and arbitrage gains in the statement of income:

<u>Primary underlying risk</u>	<u>Realized and change in unrealized gains and losses on derivatives</u>
Price risk:	
Total return equity swaps	\$ 1,408,952
Index credit default swaps	(85,937)
Commodity futures	(3,084,888)
Equity futures	(21,515,994)
Equity options	(5,629,096)
Participation agreement	404,454
Currency risk:	
Australian dollar futures	383,374
Canadian dollar futures	63,798
U.S. dollar futures	3,526,675
Intercompany U.S. dollar futures	(341,079)
	<u>\$ (24,869,741)</u>

(5) Transactions with Related Parties

Alpine is a limited partnership, managed by the general partner. The Partnership Agreement provides that the compensation of the general partner shall not exceed \$50,000 per year without the consent of 75% of the limited partners' interests.

An agreement exists between Alpine and a company that is owned by the spouse of the sole shareholder of Alpine's general partner (the trading advisor) to provide research assistance and advice in connection with merger arbitrage transactions and trading decisions for Alpine in return for an advisory fee. The trading advisor is also engaged as a trading advisor for nine other entities in a business similar to Alpine's. Similar trading strategies are employed by the trading advisor for the nine other entities. The advisory fee, which is included in the accompanying statement of income, is determined monthly and is 0.2% of Alpine's average capital balance during such month.

Pursuant to agreements between Alpine and five of the nine other entities engaged in a business similar to that of Alpine (the Agreements), Alpine will share with the five other entities all realized and unrealized gains and losses derived from the distressed securities held by one of such entities and Alpine in order to permit Alpine and other such entities to participate, on a substantially parallel basis, in the economic equivalent of such investments without undue effort or expense.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

Any party receiving an allocation of participation in respect to such distressed securities investments shall monthly, receive from, or pay to, as appropriate, Alpine, an amount equal to any profit or loss attributable to such investments. Profits and losses are allocated pro rata among the parties based upon the underlying capital of each entity.

In accordance with the Agreements, the entities will also pay monthly interest to Alpine, an amount reflecting the use of capital for holding such investments. Interest payments are based upon the current 30-day LIBOR rate applied to Alpine's pro rata allocation of the underlying distressed securities and futures portfolio.

Pursuant to swap agreements between Alpine and six of the nine other entities engaged in a business similar to that of Alpine (the Swap Agreements), Alpine will enter into total return swap agreements with the six other entities in order to permit such entities to participate in futures contracts on a fractional basis.

In accordance with the Swap Agreements, the entities will also pay monthly interest to Alpine. Interest payments are based upon the current 30-day LIBOR rate applied to the cost of contract deposits of the Swap Agreements.

An agreement exists between Alpine and an affiliate of Alpine's general partner. This affiliate (the administrative affiliate) provides various administrative services including research, back-office operations, trade executions, and other personnel services, as well as furnishes office space, to Alpine. Alpine shares services provided by the administrative affiliate with nine other entities engaged in a business similar to Alpine's. During 2009, total administrative fees were \$4,129,559, which are included in operating expenses in the statement of income.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

The amounts payable to and due from affiliates as of December 31, 2009 and interest expense for the year ended December 31, 2009 are as follows:

	<u>Balance December 31, 2009</u>	<u>Interest expense</u>
Due from:		
Alpine Partners, L.P.	\$ 12,292	—
Palisades Partners, L.P.	24,662	—
Alpine Associates II, L.P.	46,879	—
Alpine Institutional, L.P.	4,958	—
Alpine Associates Offshore Fund Ltd.	2,978	—
Alpine Associates Offshore Fund II Ltd.	5,699	—
	<u>\$ 97,468</u>	<u>—</u>
Due to:		
A&T Management	\$ 1,633,301	—
Administrative affiliate	543,330	1,079
Alpine Enhanced, L.P.	131,156	—
Eckert Corporation	4,167	—
	<u>\$ 2,311,954</u>	<u>1,079</u>

(6) Receivables from and Payables to Brokers, Dealers, and Clearing Organizations

As of December 31, 2009, receivables from and payables to brokers, dealers, and clearing organizations included approximately \$968.4 million, including \$2.2 million from Alpine Partners, L.P., of securities borrowed, and approximately \$476.8 million, including \$4.8 million to Alpine Partners, L.P., of securities loaned, respectively.

Securities borrowed and securities loaned transactions are reported as collateralized financing transactions. Securities borrowed transactions require Alpine to deposit cash with the lender. With respect to securities loaned, Alpine receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. Alpine monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. As of December 31, 2009, Alpine has received securities with a fair value of approximately \$922.0 million, including \$2.1 million from Alpine Partners, L.P., related to its securities borrowed transactions. As of December 31, 2009, Alpine has pledged securities with a fair value of approximately \$454.8 million, including \$4.6 million to Alpine Partners, L.P., related to its securities loaned transactions. Alpine continues to report assets it has pledged as collateral in secured borrowings and other arrangements when the secured party cannot sell or repledge the assets.

(7) Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

In the normal course of business, Alpine's activities involve execution, settlement, and financing of various securities transactions primarily on U.S. and European stock and futures exchanges. These activities may

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

expose Alpine to counterparty risk. Such counterparties represent principally major brokerage institutions. Alpine monitors the credit standing of counterparties with whom it conducts business. Risk is further controlled by monitoring the fair value of pledged securities on a daily basis and requiring adjustments of collateral levels in the event of excess market exposure. In addition to the securities borrowed and securities loaned transactions discussed in note 6, Alpine also pledged or received noncash collateral related to other securities borrowed or securities loaned transactions, respectively. As of December 31, 2009, Alpine has pledged securities of \$205.3 million related to securities borrowed transactions and has received securities of \$205.2 million related to securities loaned transactions.

Alpine may be exposed to off-balance sheet market risk for securities sold, not yet purchased, should the value of such securities rise. Additionally, futures contracts are subject to market risk. Alpine monitors such off-balance sheet market risk and takes appropriate action to reduce such risk as required.

Credit default swaps may involve greater risks than if the Partnership had invested in the reference obligation directly. Credit default swaps are subject to general market liquidity, counterparty and credit risk. If Alpine is a buyer and no credit event occurs, it will lose its investment. However, if the Partnership is a seller and a credit event occurs, the value of the referenced obligation received by Alpine coupled with the periodic payments previously received may be less than the Maximum Payout Amount it pays to the buyer, resulting in a loss to Alpine. At December 31, 2009, Alpine did not sell any credit default swaps.

(8) Net Capital

Alpine is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1 (the Rule). Under the alternative method permitted by the Rule, the required net capital, as defined, shall be the greater of \$250,000 or 2% of aggregate debit items, as defined. As of December 31, 2009, Alpine's net capital was \$782,365,035, which was \$782,115,035 in excess of regulatory requirements. Capital may not be withdrawn from Alpine to the extent that capital is required to maintain continued compliance with the Rule.

Proprietary accounts held at Credit Suisse LLC and Deutsche Bank AG (collectively, the Brokers) (PAIB Assets) are considered allowable assets in the computation of net capital pursuant to an agreement between Alpine and the Brokers, which requires, among other things, the Brokers to perform a computation of PAIB Assets similar to the customer reserve computation set forth in SEC Rule 15c3-3.

(9) Income Taxes

In accordance with federal income tax regulations, income taxes are the responsibility of the individual partners. Consequently, no provision or liability for federal income taxes has been reflected in the accompanying financial statements. As a New Jersey limited partnership, Alpine is subject to a minimal New Jersey tax filing fee.

During the current year Alpine adopted ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements.

Alpine is required to evaluate the tax positions taken or expected to be taken in the course of preparing Alpine's tax returns to determine whether the tax positions are "more-likely than-not" of being sustained

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Notes to Financial Statements

December 31, 2009

by the applicable tax authority. This evaluation had no impact on the operations of Alpine for the year ended December 31, 2009. However, the General Partner's conclusions will be subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof.

The major jurisdictions of the Partnership and the earliest tax year subject to examination are as follows:

United States	2006
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(10) Commitments and Contingencies

In its normal course of business, the Partnership is subject to examinations and requests for information from its regulators. The Partnership has complied with these requests and does not expect the resolution of any will result in a material adverse effect on the Partnership's financial position or results of operations.

(11) Financial Highlights

Financial highlights for the Partnership for the year ended December 31, 2009 were as follows:

Total return	7.69%
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Total return is calculated based on net assets for the limited partner class taken as a whole. An individual investor's return may vary from this return based on the timing of capital transactions.

The following table presents net investment income and operating expenses to average partnership capital ratios for the year ended December 31, 2009:

Net investment income	(2.26)%
Operating expenses	5.14

The net investment income and operating expense ratios are calculated based on average monthly net assets of limited partners. Net investment income is calculated based on interest earned from borrowed securities, dividends and interest less total expenses. Operating expenses are calculated based on total expenses less interest incurred on loaned securities. The computation of such ratios are based on the amount of net investment income and operating expenses assessed to an individual limited partner's capital may vary from these ratios based on the timing of capital transactions.

(12) Subsequent Events

The General Partner has evaluated all subsequent transactions and events after the balance sheet date through February 26, 2010, the date on which these financial statements were issued and, except as already included in the notes to these financial statements, has determined that no additional items require disclosure.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Computation of Net Capital Pursuant to SEC Rule 15c3-1

December 31, 2009

Computation of net capital:	
Total partners' capital:	\$ 1,156,129,399
Deduction and/or charges:	
Nonallowable assets	(55,978,318)
Commodity futures contracts and spot commodities proprietary capital charges	<u>(31,468,249)</u>
	<u>(87,446,567)</u>
Net capital before haircut on firm securities	1,068,682,832
Haircuts on firm securities	<u>286,317,797</u>
Net capital	782,365,035
Computation of alternative net capital requirements:	
Minimum net capital requirement	250,000
Excess net capital	<u>\$ 782,115,035</u>
Net capital in excess of 5% of aggregate debit items or 120% of the minimum net capital requirement	\$ 782,065,035

The above computation does not differ materially from the Partnership's computation of net capital filed with FOCUS Form X-17A-5 Part IIA as filed on January 27, 2010 with the Financial Industry Regulatory Authority.

See accompanying report of independent registered public accounting firm.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Schedule I

Schedule of Nonallowable Assets

December 31, 2009

Description	Amount
Securities owned, not readily marketable, at fair value	\$ 55,525,761
Receivables from affiliates	97,468
Furniture, fixtures, and equipment, net	228,898
Other assets	126,191
Total nonallowable assets	<u>\$ 55,978,318</u>

See accompanying report of independent registered public accounting firm.

ALPINE ASSOCIATES, A LIMITED PARTNERSHIP

Computation for Determination of Reserve Requirements for
Broker-Dealers under Rule 15c3-3

December 31, 2009

	<u>Amount</u>
Credit balances:	
Free Credit balance and other credit balance in customers' security accounts	\$ —
Monies borrowed collateralized by securities carried for the accounts of customers	—
Monies payable against customers' securities loaned	—
Customers' securities failed to receive	—
Credit balances in firm accounts which are attributable to principal sales to customers.	—
Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days	—
Market value of short security count differences over 30 calendar days old	—
Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days	—
Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days	—
Other	—
Total credits	\$ —
Debit balances:	
Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions	\$ —
Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver	—
Failed to deliver of customers' securities not older than 30 calendar days	—
Margin required and on deposit with the Options Clearing Corporation for all options contracts written or purchased in customer accounts	—
Margin related to security futures products written, purchased or sold in customer accounts required and on deposit with a clearing agency or a derivative clearing organization	—
Market value of stock dividends, stock splits and similar distributions	—
Other	—
Aggregate debit items	—
Less 3% (for alternative method only)	—
Total 15c3-3 debits	\$ —

Note: There are no differences between this computation and the computation filed by the Company on Securities and Exchange Commission Form X-17A-5 as of January 27, 2010.

See accompanying report of independent registered public accounting firm.



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm on Internal Control Pursuant to SEC Rule 17a-5

The Partners

Alpine Associates, A Limited Partnership:

In planning and performing our audit of the financial statements of Alpine Associates, A Limited Partnership, (the Partnership) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the SEC), we have made a study of the practices and procedures followed by the Partnerships including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e). Because the Partnership does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Partnership in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System;
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as requires by Rule 15c3-3.

Management of the Partnership is responsible for establishing and maintaining internal controls and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Partnership has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in



conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Partnership's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2009 to meet the SEC's objectives.

This report is intended solely for the information and use of the General Partner, Limited Partners, management, the SEC, the Financial Industry Regulatory Authority and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be used and should not be used by anyone other than these specified parties.

KPMG LLP

February 26, 2010