

**Offer to Purchase for Cash
Up to 30,000,000 Shares of
ALJ Regional Holdings, Inc.
Common Stock at a Purchase Price
Not Greater Than \$0.86 Nor
Less Than \$0.84 Per Share by**

ALJ REGIONAL HOLDINGS, INC.

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 24, 2012, UNLESS THE COMPANY EXTENDS THE TENDER OFFER.

ALJ Regional Holdings, Inc., a Delaware corporation (referred to herein as “we,” “us” or the “Company”), is offering to purchase for cash up to 30,000,000 shares of its common stock, upon the terms and subject to the conditions set forth in this document and the Letter of Transmittal (which together, as they may be amended and supplemented from time to time, constitute the “Tender Offer”).

On the terms and subject to the conditions of the Tender Offer, we will determine the single per share price, not greater than \$0.86 nor less than \$0.84 per share (the “Purchase Price”), net to you in cash, less applicable withholding taxes and without interest, that we will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the total number of shares so tendered and the prices specified by the tendering stockholders. We will select the lowest Purchase Price (in multiples of \$0.01) that will allow us to purchase 30,000,000 shares, or such lesser number of shares as are properly tendered and not properly withdrawn, at prices not greater than \$0.86 nor less than \$0.84 per share. We will purchase at the purchase price all shares properly tendered at a price at or below the Purchase Price and not properly withdrawn, on the terms and subject to the conditions of the Tender Offer, including the odd lot, conditional tender and proration provisions. We reserve the right, in our sole discretion, to purchase more than 30,000,000 shares in the Tender Offer, subject to applicable law. We may also reduce the number of shares we are purchasing below 30,000,000, if we determine, in our sole and absolute discretion, that it is necessary to do so in order to preserve our ability to use our net operating losses (“NOLs”) to offset federal income taxes in the future. Under Section 382 of the Internal Revenue Code, our ability to use the NOLs would be limited to the extent that we were to experience an “ownership change” as defined therein. Any such reduction would be on a *pro rata* basis, except for “odd lots” (lots held by owners of less than 100 shares), which we will purchase on a priority basis as described in further detail below. We will not purchase shares tendered at prices greater than the purchase price or shares that we do not accept for purchase because of proration provisions or conditional tenders. Shares not purchased in the Tender Offer will be returned to the tendering stockholders at our expense promptly after the expiration of the Tender Offer. See Section 1.

THE TENDER OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE TENDER OFFER IS, HOWEVER, SUBJECT TO OTHER CONDITIONS, INCLUDING CONSUMMATION OF THE MERGER. SEE “THE MERGER” BEGINNING ON PAGE 24 AND SECTION 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of this transaction or passed upon the merits or fairness of such transaction or passed upon the adequacy or accuracy of the information contained in this Offer to Purchase. Any representation to the contrary is a criminal offense.

The Information Agent for the Tender Offer is:
AST PHOENIX ADVISORS
110 Wall Street, 27th Floor
New York, NY 10005
Banks and brokers call (212) 493-3910
All others call toll free (877) 478-5038

Offer to Purchase dated November 19, 2012.

IMPORTANT

If you wish to tender all or any part of your shares, you should either (1) complete and sign a Letter of Transmittal according to the instructions in the Letter of Transmittal and mail or deliver it, together with any required signature guarantee and any other required documents, including the share certificates, to American Stock Transfer & Trust Company, LLC, the Depositary for the Tender Offer, or (2) tender the shares according to the procedure for book-entry transfer described in Section 3, or (3) request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you. If your shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you should contact that person if you desire to tender your shares. Please note that shares may not be tendered in the Tender Offer by guaranteed delivery. See Section 3.

OUR BOARD OF DIRECTORS HAS APPROVED THE TENDER OFFER. HOWEVER, NEITHER WE NOR OUR BOARD OF DIRECTORS, NOR THE INFORMATION AGENT, NOR THE DEPOSITARY MAKES ANY RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING YOUR SHARES OR AS TO THE PRICE OR PRICES AT WHICH YOU MAY CHOOSE TO TENDER YOUR SHARES. YOU MUST MAKE YOUR OWN DECISION AS TO WHETHER TO TENDER YOUR SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH TO TENDER YOUR SHARES. IN SO DOING, YOU SHOULD READ CAREFULLY THE INFORMATION IN THIS OFFER TO PURCHASE AND IN THE LETTER OF TRANSMITTAL, INCLUDING OUR REASONS FOR MAKING THE TENDER OFFER.

Our common stock is quoted on the Pink Sheets Electronic Interdealer Quotation and Trading System (the "Pink Sheets") under the trading symbol "ALJJ." We publicly announced the Tender Offer and the Merger (as defined below) on November 19, 2012, after the close of trading on that date. On November 19, 2012, the last reported sale price of our common stock on the Pink Sheets was \$0.42 per share. We urge stockholders to obtain current market quotations for our common stock. See Section 8.

You may direct questions and requests for assistance to AST Phoenix Advisors, the Information Agent for the Tender Offer at their address and telephone number set forth on the back cover page of this document. You may direct requests for additional copies of this document or the Letter of Transmittal to the Information Agent.

We have not authorized any person to make any recommendation on our behalf as to whether you should tender or refrain from tendering your shares or as to the purchase price at which you may choose to tender your shares in the Tender Offer. We have not authorized any person to give any information or to make any representation in connection with the Tender Offer other than those contained in this document or in the Letter of Transmittal. If given or made, you must not rely upon any such information or representation as having been authorized by us or the Information Agent.

We are not aware of any jurisdiction where the making of the Tender Offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the Tender Offer or the acceptance of shares pursuant to the Tender Offer is not in compliance with any valid applicable law, we will make a good faith effort to comply with the applicable law. If, after a good faith effort, we cannot comply with the applicable law, the Tender Offer will not be made to, nor will tenders be accepted from or on behalf of, the holders of shares residing in that jurisdiction. We may, at our discretion, take such action as we may deem necessary for us to make the Tender Offer in any such jurisdiction and extend the Tender Offer to holders in such jurisdiction.

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SUMMARY TERM SHEET

We are providing this summary term sheet for your convenience. You should realize that it does not describe all of the details of the Tender Offer to the same extent described in this document. We urge you to read the entire document and the Letter of Transmittal because they contain the full details of the Tender Offer. We have included references to the sections of this document where you will find a more complete discussion.

Who is offering to purchase my shares?

ALJ Regional Holdings, Inc., which we refer to as “we,” “us,” “ALJ” or the “Company” is offering to purchase shares of ALJ common stock.

What will the purchase price for the shares be?

We will determine the Purchase Price that we will pay per share promptly after the Tender Offer expires. The Purchase Price will be the lowest price between (and including) \$0.84 and \$0.86 per share at which, based on the number of shares tendered and the prices specified by the tendering stockholders, we can purchase 30,000,000 shares, or such lesser number of shares as are properly tendered and not properly withdrawn prior to the expiration date. The Purchase Price will not be greater than \$0.86 nor less than \$0.84 per share. We will pay this Purchase Price in cash, without interest, for all the shares we purchase pursuant to the Tender Offer, including the shares tendered at a price below the Purchase Price. We will not purchase shares tendered at prices greater than the Purchase Price or shares that we do not purchase because of proration provisions or conditional tenders. See Section 1.

How many shares will the Company purchase?

We will purchase up to 30,000,000 shares properly tendered in the Tender Offer, or such lesser number of shares as are properly tendered and not properly withdrawn prior to the expiration date.

If the Tender Offer is fully subscribed, we would purchase 30,000,000 shares, which would represent approximately 50% of the issued and outstanding shares of our common stock as of November 19, 2012, on a fully diluted basis. If the Tender Offer is fully subscribed at the maximum Purchase Price of \$0.86, we will purchase the tendered shares for a total of \$25,800,000, or approximately 50% of our expected unrestricted cash following the closing of the Merger, which is further described below under the heading titled “The Merger.”

In addition, if more than 30,000,000 shares are tendered in the Tender Offer at or below the Purchase Price, we may exercise our right to amend the Tender Offer to purchase up to an additional 2% of our outstanding shares without extending the expiration date. See Section 1. We may also reduce the number of shares we are purchasing below 30,000,000, if we determine, in our sole and absolute discretion, that it is necessary to do so in order to preserve our ability to use our NOLs to offset federal income taxes in the future. Under Section 382 of the Internal Revenue Code, our ability to use the NOLs would be limited to the extent that we were to experience an “ownership change” as defined therein. Any such reduction would be on a *pro*

rata basis, except for “odd lots” (lots held by owners of less than 100 shares), which we will purchase on a priority basis as described in further detail below.

What will happen if more than 30,000,000 shares are tendered at or below the Purchase Price?

If more than 30,000,000 shares are tendered at or below the Purchase Price, we will purchase all shares tendered at or below the Purchase Price on a *pro rata* basis, except for “odd lots” (lots held by owners of less than 100 shares), which we will purchase on a priority basis as described in the immediately following paragraph and except for shares that were conditionally tendered and for which the condition was not satisfied. See Sections 5 and 6.

If I own fewer than 100 shares and I tender all of my shares, will I be subject to proration?

If you own beneficially or of record fewer than 100 shares in the aggregate, you properly tender all of these shares at or below the Purchase Price before the Tender Offer expires and you complete the section entitled “Odd Lots” in the Letter of Transmittal, we will purchase all of your shares without subjecting them to the proration procedure. See Section 1.

How will the Company pay for the shares?

We anticipate that we will fund the purchase of the shares tendered in the Tender Offer primarily with cash to be received in connection with the Merger and with cash on hand. See Section 9.

What is the Merger and how is it related to the Tender Offer?

We have agreed to sell our majority owned subsidiary KES Acquisition Company dba Kentucky Electric Steel, which we refer to herein as “KES,” to Optima Specialty Steel, Inc., which we refer to herein as “Optima,” in exchange for \$112.5 million in cash pursuant to a merger, as further described below under the heading “The Merger” and as set forth in the Agreement and Plan of Merger dated November 18, 2012 by and among Optima, KES Optima Acquisition Inc. (“Merger Sub”), KES and the Company. A copy of the Merger Agreement is available on www.pinksheets.com and www.aljregionalholdings.com in the Current Report filed on November 19, 2012 and will be attached as Annex A to our proxy statement relating to the special meeting of the stockholders of ALJ to be held to approve the Merger (the “Special Meeting”). A copy of the proxy statement will be available at www.pinksheets.com and www.aljregionalholdings.com and will be mailed to stockholders of record as of November 28, 2012 on or around November 30, 2012. We refer to the merger transaction herein as the “Merger” and to the merger agreement as the “Merger Agreement.”

The Merger is subject to various conditions, including, but not limited to, approval by the stockholders of ALJ, the satisfaction of Optima’s financing condition and the expiration or termination of any waiting period under applicable antitrust laws. We expect to hold the Special Meeting for the approval of the Merger by the stockholders of ALJ on or around December 21, 2012. The Merger will not close until the date of the Special Meeting at the earliest, subject to the other conditions of the Merger.

We anticipate that we will fund the purchase of shares tendered in the Tender Offer primarily through cash received by us in the Merger upon conversion of our shares of KES.

If the Merger is consummated, we will have no or nominal operations, and other than the cash received in the Merger and our cash on hand, we will have an immaterial amount of assets.

What will happen if the Merger is not completed?

If the Merger is not completed, due to a failure to obtain approval of stockholders of ALJ or KES, failure of Optima to secure sufficient financing or otherwise, we will not complete the Merger or the Tender Offer. In that event, we expect to reassess our options in light of our strategic goals and any alternatives that may be available to us. Under the Merger Agreement, we may also be required to pay Optima a termination fee of 3.0% of the total purchase price, or \$3,375,000, if

- the Merger Agreement is terminated by ALJ or KES to pursue a superior company proposal; or
- the Merger Agreement is terminated as a result of the requisite stockholder approval not being obtained or the transaction failing to close by February 28, 2013, if, in each case, within twelve months of such termination, ALJ or KES either enters into an agreement for or consummates an acquisition by a person with whom ALJ or KES was engaging in discussions prior to such termination.

Under the Merger Agreement, Optima may also be required to pay KES a reverse termination fee of 3.0% of the total purchase price, or \$3,375,000, if the Merger Agreement is not terminated prior to December 31, 2012 and is subsequently terminated as a result of Optima failing to raise \$50,000,000 in acquisition debt financing through the sale of senior secured notes by February 28, 2013.

How long do I have to tender my shares?

You may tender your shares until the Tender Offer expires. The Tender Offer will expire on December 24, 2012, at 12:00 Midnight, New York City time, unless we extend it. See Section 1. We may choose to extend the Tender Offer for any reason, subject to applicable laws. We cannot assure you that we will extend the Tender Offer or indicate the length of any extension that we may provide. See Section 15. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely they have an earlier deadline for you to act to instruct them to accept the Tender Offer on your behalf. We urge you to contact the broker, dealer, commercial bank, trust company or other nominee to find out their deadline.

Can the Tender Offer be extended, amended or terminated, and if so, under what circumstances?

We can extend or amend the Tender Offer in our sole discretion, subject to applicable law. If we extend the Tender Offer, we will delay the acceptance of any shares that have been tendered. We can also terminate the Tender Offer under certain circumstances. See Section 7 and Section 15.

How will I be notified if the Company extends the Tender Offer or amends the terms of the Tender Offer?

If we decide to extend the Tender Offer, we will issue a press release not later than 9:00 a.m., New York City time, on the business day after the scheduled expiration date. We will announce any amendment to the Tender Offer by making a public announcement of the amendment and posting amended Tender Offer documents on our website at www.aljregionalholdings.com and at www.pinksheets.com. See Section 15.

What is the purpose of the Tender Offer?

We believe that the Tender Offer represents an efficient mechanism to return a portion of the Merger consideration to our stockholders. The Tender Offer provides stockholders (particularly those who, because of the size of their shareholdings, might not be able to sell their shares without potential disruption to the trading of our common stock) with an opportunity to obtain liquidity with respect to all or a portion of their shares without potential disruption to the share price. If we complete the Tender Offer, stockholders who do not participate in the Tender Offer automatically will increase their relative percentage ownership interest in the Company at no additional cost to them. See Section 2 and Section 10.

Are there any conditions to the Tender Offer?

Yes. The Tender Offer is subject to conditions, including, but not limited to:

- consummation of the Merger;
- the absence of court and governmental action prohibiting the Tender Offer; and
- the absence of changes in general market conditions or our business that, in our judgment, are or may be materially adverse to us. See Section 7.

How do I tender my shares?

The Tender Offer will expire at 12:00 Midnight, New York City time, on December 24, 2012, unless we extend the Tender Offer. To tender your shares, prior to the expiration of the Tender Offer:

- you must deliver your share certificate(s) and a properly completed and duly executed Letter of Transmittal to the Depository at the address appearing on the back cover page of this document; or
- the Depository must receive a confirmation of receipt of your shares by book-entry transfer and a properly completed and duly executed Letter of Transmittal or an agent's message in the case of a book-entry transfer; or
- you must request a broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you.

You should contact the Information Agent for assistance at their address and telephone number set forth on the back cover page of this document. See Section 3 and the instructions to the Letter of Transmittal. Please note that we will not purchase your shares in the Tender Offer unless the Depository receives the required documents prior to the expiration of the Tender Offer. If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely they have an earlier deadline for you to act to instruct them to accept the Tender Offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out their applicable deadline.

Once I have tendered shares in the Tender Offer, can I withdraw my tendered shares?

Yes. You may withdraw any shares you have tendered at any time before the expiration of the Tender Offer which will occur at 12:00 Midnight, New York City time, on December 24, 2012, unless we extend the Tender Offer, in which case you can withdraw your shares until the expiration of the Tender Offer as extended. In addition, after our offer expires, if we have not accepted the shares you have tendered to us for payment, you may withdraw your shares at any time after 12:00 Midnight, New York City time, on January 14, 2013. See Section 4.

How do I withdraw shares I previously tendered?

You must deliver, on a timely basis, a written or facsimile notice of your withdrawal to the Depository at the address appearing on the back cover page of this document. Your notice of withdrawal must specify your name, the number of shares to be withdrawn and the name of the registered holder of these shares. Some additional requirements apply if the share certificates to be withdrawn have been delivered to the Depository or if your shares have been tendered under the procedure for book-entry transfer set forth in Section 3. See Section 4.

Has the Company or its Board of Directors adopted a position on the Tender Offer?

Our Board of Directors has approved the Tender Offer. However, neither we nor our Board of Directors nor the Information Agent nor the Depository makes any recommendation to you as to whether you should tender or refrain from tendering your shares or as to the price or prices at which you may choose to tender your shares. You must make your own decision as to whether to tender your shares and, if so, how many shares to tender and the price or prices at which to tender your shares. In so doing, you should read carefully the information in this Offer to Purchase and in the Letter of Transmittal, including our reasons for making the Tender Offer. See Section 2 and Section 11.

May the Company's directors or officers tender their shares in the Tender Offer?

In their individual capacities as stockholders, directors and officers may tender shares, the same as all other stockholders. However, Jess Ravich, our Chairman, has agreed not to tender any shares beneficially owned by him.

If I decide not to tender, how will the Tender Offer affect my shares?

Stockholders who choose not to tender will own a greater percentage interest in our outstanding common stock following the consummation of the Tender Offer than they own as of the date hereof.

Will the Company's common stock continue to be quoted on the Pink Sheets following the Tender Offer?

Yes. Our common stock will continue to be quoted on the Pink Sheets whether or not the Tender Offer is consummated and we will continue to provide quarterly and annual financial reports following the Tender Offer.

What is the recent market price for the shares?

We publicly announced the Tender Offer and the Merger on November 19, 2012, after the close of trading on that date. On November 19, 2012, the last reported sale price of our common stock on the Pink Sheets was \$0.42 per share. We urge you to obtain current market quotations for our common stock. See Section 8.

When will the Company pay for the shares I tender?

We will pay the Purchase Price, net to you in cash, less applicable withholding taxes and without interest, for the shares we purchase promptly after the expiration of the Tender Offer and the acceptance of the shares for payment; provided, however, that we do not expect to accept shares for payment until after we have determined, subsequent to expiration of the Tender Offer, the Purchase Price. See Section 5.

Will I have to pay brokerage commissions if I tender my shares?

If you are a registered stockholder and you tender your shares directly to the Depositary, you will not incur any brokerage commissions. If you hold shares through a broker or bank, we urge you to consult your broker or bank to determine whether transaction costs are applicable. See Section 3.

What are the U.S. federal income tax consequences if I tender my shares?

Generally, you will be subject to U.S. federal income taxation when you receive cash from us in exchange for the shares you tender. The receipt of cash for your tendered shares will be treated either as (1) a sale or exchange or (2) a distribution from us in respect of our stock. Stockholders should consult their tax advisors as to the particular consequences to them of participation in the Tender Offer. See Section 14.

Will I have to pay any stock transfer tax if I tender my shares?

If you instruct the Depositary in the Letter of Transmittal to make the payment for the shares to the registered holder, you will not incur any stock transfer tax. See Section 5.

Who can help answer my questions about the Tender Offer?

The Information Agent can help answer your questions. The Information Agent is AST Phoenix Advisors. Their contact information is 110 Wall Street, 27th Floor, New York, NY 10005, (212) 493-3910 (for banks and brokers) and (877) 478-5038 (for all others).

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements in this Offer to Purchase regarding financial and operating performance and other statements that are not historical facts, including, among others, statements regarding our expectations relating to the Merger closing, the Tender Offer and post-closing business strategy, our ability to fund our operations, service indebtedness, improve operating efficiencies, offset future income against NOLs and use our rights plan to preserve NOLs, constitute forward-looking statements. In general, you can identify forward-looking statements by the presence of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will” and similar expressions.

Forward-looking statements are based on reasonable expectations and are subject to risks and uncertainties. Actual results will differ, perhaps materially, from those set forth or implied by such forward-looking statements due to a variety of factors, including, among others:

- our failure to satisfy any of the conditions to complete the Merger, including the receipt of the required stockholder approval;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement or failure of the Merger, including due to Optima’s failure to complete its acquisition debt financing;
- the number of shares tendered and the Purchase Price at which we purchase shares in the Tender Offer;
- the outcome of legal proceedings, if any, instituted against us relating to the Tender Offer, the Merger or the Merger Agreement;
- diversion of management’s attention from ongoing business concerns;
- the effect of the announcement of the Tender Offer and the Merger on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the Tender Offer and the Merger;
- our ability to raise capital in the future;
- changes in regulation and the regulatory environment;
- uncertainties related to our business after the Merger, including our intent to invest in or acquire control of one or more operating businesses; and
- uncertainties related to a downturn in general economic conditions or consumer confidence, including changes in conditions of U.S. or international lending, capital and financing markets;

The Company also is subject to general business risks, including its success in continuing to settle the Company's outstanding obligations from its prior business activities, results of tax audits, the Company's ability to retain and attract key employees, acts of war or global terrorism, and unexpected natural disasters.

Any forward-looking statements included in this Offer to Purchase are made as of the date hereof and based on information available to the Company as of the date hereof. Subject to applicable law, the Company assumes no obligation to update any forward-looking statements.

INTRODUCTION

To the holders of our common stock:

We invite our stockholders to tender shares of our common stock, with a par value of \$0.01 per share, for purchase by us. Upon the terms and subject to the conditions set forth in this Offer to Purchase and in the Letter of Transmittal, we are offering to purchase up to 30,000,000 shares of our common stock at a price not greater than \$0.86 nor less than \$0.84 per share, net to the seller in cash, less applicable withholding taxes and without interest.

The Tender Offer will expire at 12:00 Midnight, New York City time, on December 24, 2012, unless extended (such date and time, as the same may be extended, the “expiration date”). We may, in our sole discretion, extend the period of time in which the Tender Offer will remain open, subject to applicable law.

We will select the lowest Purchase Price (in multiples of \$0.01) that will allow us to buy 30,000,000 shares or, if a lesser number of shares is properly tendered, all shares that are properly tendered and not properly withdrawn. We will acquire all shares that we purchase in the Tender Offer at the same Purchase Price regardless of whether the stockholder tendered at a lower price. However, because of the “odd lot” priority, proration and conditional tender provisions described in this Offer to Purchase, we may not purchase all of the shares tendered at or below the Purchase Price if more than the number of shares we seek are properly tendered. We will not purchase shares tendered at prices greater than the Purchase Price or shares that we do not accept for purchase because of proration provisions or conditional tenders. We will return tendered shares that we do not purchase to the tendering stockholders at our expense promptly after the expiration of the Tender Offer. See Section 1.

We reserve the right, in our sole discretion, to purchase more or less than 30,000,000 shares pursuant to the Tender Offer, subject to certain limitations and legal requirements. See Section 1. We may also reduce the number of shares we are purchasing below 30,000,000, if we determine, in our sole and absolute discretion, that it is necessary to do so in order to preserve our ability to use our NOLs to offset federal income taxes in the future. Under Section 382 of the Internal Revenue Code, our ability to use the NOLs would be limited to the extent that we were to experience an “ownership change” as defined therein. Any such reduction would be on a *pro rata* basis, except for “odd lots” (lots held by owners of less than 100 shares), which we will purchase on a priority basis as described in further detail below.

Stockholders must complete the section of the Letter of Transmittal relating to the price at which they are tendering shares in order to properly tender shares.

We will pay the Purchase Price, net to the tendering stockholders in cash, less applicable withholding taxes and without interest, for all shares that we purchase. Tendering stockholders whose shares are registered in their own names and who tender directly to the Depositary in the Tender Offer, will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 9 to the Letter of Transmittal, stock transfer taxes on the purchase of shares by us pursuant to the Tender Offer. If you own your shares through a bank, broker, dealer, trust company or other nominee and that person tenders your shares on your behalf, that person may

charge you a fee for doing so. You should consult your bank, broker, dealer, trust company or other nominee to determine whether any charges will apply.

OUR BOARD OF DIRECTORS HAS APPROVED THE TENDER OFFER. HOWEVER, NEITHER WE NOR OUR BOARD OF DIRECTORS NOR THE INFORMATION AGENT NOR THE DEPOSITARY MAKES ANY RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING YOUR SHARES OR AS TO THE PRICE OR PRICES AT WHICH YOU MAY CHOOSE TO TENDER YOUR SHARES. YOU MUST MAKE YOUR OWN DECISION AS TO WHETHER TO TENDER YOUR SHARES AND, IF SO, HOW MANY SHARES TO TENDER AND THE PRICE OR PRICES AT WHICH TO TENDER YOUR SHARES. IN SO DOING, YOU SHOULD READ CAREFULLY THE INFORMATION IN THIS OFFER TO PURCHASE AND IN THE LETTER OF TRANSMITTAL, INCLUDING OUR REASONS FOR MAKING THE TENDER OFFER.

If, at the expiration date, more than 30,000,000 shares (or such greater or lesser number of shares as the Company may elect to purchase, subject to applicable law) are properly tendered at or below the Purchase Price and not properly withdrawn before the expiration date, then the Company will accept shares for purchase at the Purchase Price in the following order of priority:

1. First, the Company will purchase all shares properly tendered at or below the Purchase Price and not properly withdrawn before the expiration date by any “odd lot” holder who:
 - (a) tenders ALL of the shares owned beneficially or of record by such odd lot holder at or below the Purchase Price before the expiration date (partial tenders will not qualify for this preference); AND
 - (b) completes the section captioned “Odd Lots” on the Letter of Transmittal without regard to any proration that would otherwise be applicable to such “odd lot” shares.
2. Second, after the Company has purchased all properly tendered (and not properly withdrawn) “odd lot” shares, the Company will purchase all other shares properly tendered at or below the Purchase Price before the expiration date (and not properly withdrawn) on a *pro rata* basis if necessary, subject to the conditional tender provisions described in Section 6 of the Offer to Purchase.
3. Third, and only if necessary to permit the Company to purchase 30,000,000 shares (or such greater number of shares as the Company may elect to purchase subject to applicable law), the Company will purchase properly tendered shares from holders who have tendered shares conditionally (and for whom the condition was not initially satisfied) by random lot to the extent feasible. To be eligible for purchase by random lot, stockholders whose shares are conditionally tendered (and for whom the condition was not initially satisfied) must have tendered all of their shares.

We may not purchase all of the shares tendered pursuant to the Tender Offer even if the shares are tendered at or below the Purchase Price. See Section 1, Section 5 and Section 6,

respectively, for additional information concerning priority, proration and conditional tender procedures.

Section 14 of this Offer to Purchase describes various U.S. federal income tax consequences of a sale of shares pursuant to the Tender Offer.

Holder of vested but unexercised options desiring to purchase shares may exercise such options for cash and tender some or all of the shares issued upon such exercise. An exercise of an option cannot be revoked even if shares received upon the exercise thereof and tendered in the Tender Offer are not purchased in the Tender Offer for any reason.

As of November 19, 2012, we had issued and outstanding 59,467,498 shares of common stock, on a fully diluted basis. If the Tender Offer is fully subscribed, we would purchase 30,000,000 shares, which would represent approximately 50% of the issued and outstanding shares of the Company's common stock, on a fully diluted basis, as of November 19, 2012. If the Tender Offer is fully subscribed at the maximum Purchase Price of \$0.86, we will purchase the tendered shares for a total of \$25,800,000, or approximately 50% of our expected cash following the closing of the Merger.

Our common stock is quoted on the Pink Sheets under the symbol "ALJJ." See Section 8. We publicly announced the Tender Offer and the Merger on November 19, 2012, after the close of trading on that date. On November 19, 2012, the last reported sale price of our common stock on the Pink Sheets was \$0.42 per share. We urge stockholders to obtain current market quotations for our common stock.

RISKS YOU SHOULD TAKE INTO ACCOUNT IN DECIDING WHETHER TO TENDER YOUR SHARES

You should carefully consider the special risk considerations described below as well as other information provided to you or referenced in this Offer to Purchase in deciding in whether to tender your shares. The special risk considerations described below are not the only ones facing us. For a discussion of additional risk considerations, we refer you to the Company's Annual Report for the fiscal year ended September 30, 2011, available at www.pinksheets.com and www.aljregionalholdings.com. Additional considerations not presently known to us or that we currently believe are immaterial may also adversely affect our business operations. If any of the following special risk considerations actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our common shares could decline, and you may lose all or part of your investment.

The Tender Offer may increase the proportionate holdings of our directors, officers and significant shareholders.

If we complete the Tender Offer the proportionate holdings of our directors, officers and significant shareholders that do not participate in the Tender Offer will increase. For example, Jess Ravich has agreed not to participate in the Tender Offer. Accordingly, should the Tender Offer be fully subscribed, then Mr. Ravich and his affiliates will have beneficial ownership of 46.1% of the issued and outstanding shares remaining in the Company on a fully diluted basis following the completion of the Tender Offer. Joseph Corso, Jr., a 20.4% stockholder of the

Company (on a fully diluted basis) who does not otherwise currently participate in the management of the Company or its Board of Directors, has agreed, pursuant to a letter agreement, to tender all of his shares in the Tender Offer. Should the Tender Offer be fully subscribed, Mr. Corso would hold 14.0% of the issued and outstanding shares remaining in the Company on a fully diluted basis, assuming he holds his remaining shares following the completion of the Tender Offer.

Should the Tender Offer be fully subscribed, and should Mr. Corso tender all of his shares and Mr. Ravich not tender any shares in the Tender Offer, Mr. Ravich would hold 46.1% of the issued and outstanding shares remaining in the Company on a fully diluted basis. Mr. Ravich would have significant control over our management and affairs through the election and removal of our entire Board of Directors and all other matters requiring shareholder approval, including the future merger, consolidation or sale of all or substantially all of our assets. This concentrated control could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to our shareholders. Furthermore, this concentrated control will limit the practical effect of your participation in Company matters, through shareholder votes and otherwise.

The Tender Offer will increase the proportionate holdings of other non-tendering stockholders.

Stockholders who do not tender their shares pursuant to the Tender Offer and stockholders who otherwise retain an equity interest in the Company as a result of a partial tender of shares, proration or a conditional tender for which the condition is not satisfied will continue to be stockholders of the Company and will realize a proportionate increase in their relative equity interest in the Company and will bear the risks and rewards associated with owning the equity securities of the Company, including risks resulting from the Company's purchase of shares.

We may purchase additional shares in the open market subject to market conditions on the same terms, or on terms more or less favorable to stockholders, than the Tender Offer.

Subject to the requirements of Rule 14e-5 under the Exchange Act, we are generally prohibited from purchasing any shares, other than through the Tender Offer, until the expiration of the Tender Offer. Following expiration of the Tender Offer, we may purchase additional shares in the open market subject to market conditions. We may also purchase shares in private transactions, tender offers, or otherwise. Any of these purchases may be on the same terms as, or on terms more or less favorable to stockholders than, the terms of the Tender Offer. Any possible future purchases by us will depend on many factors, including the market price of our common stock, the results of the Tender Offer, our business and financial position, and general economic and market conditions.

The Tender Offer will reduce our "public float," which may result in lower stock prices or reduced liquidity in the trading market for our shares in the future.

Our purchase of shares pursuant to the Tender Offer may reduce the number of shares of common stock that might otherwise be traded publicly and may reduce the number of stockholders. These reductions may reduce the volume of trading in our shares of common stock

and may result in lower stock prices and reduced liquidity in the trading of our shares of common stock following completion of the Tender Offer. Stockholders may be able to sell non-tendered shares of common stock in the future, at a net price higher or lower than the Purchase Price in the Tender Offer. We can give no assurance, however, as to the price at which a stockholder may be able to sell such shares in the future.

The Tender Offer is conditioned upon completion of the Merger, which may not occur.

The Merger is subject to various conditions, including approval of our stockholders and Optima raising \$50 million in acquisition debt financing. There is no assurance that these conditions will be satisfied. If the Merger is not completed, due to a failure to obtain approval of our stockholders at the Special Meeting, Optima's failure to complete its acquisition debt financing or otherwise, we will not complete the Merger or the Tender Offer. The Merger will be voted upon at the Special Meeting by our stockholders of record as of November 28, 2012. Therefore, even if you decide to tender your shares in the Tender Offer, we can give no assurance that the Merger will be completed. In the event the Merger and therefore the Tender Offer is not completed, we expect to reassess our options in light of our strategic goals and any alternatives that may be available to us.

Optima's inability to obtain the financing necessary to complete the Merger could delay or prevent the completion of the Merger.

The closing of the Merger is conditioned upon the successful closing by Optima of its planned Note Offering (as defined below). Although Optima has agreed to use its reasonable best efforts to consummate the Note Offering (as defined below), there can be no assurances that Optima will be able to issue and sell a sufficient amount of senior secured notes. There can also be no assurances that Optima's other anticipated financing sources will be available. As of the date of this Offer to Purchase, no alternative financing arrangements or alternative financing plans have been made in the event the financing described herein is not available to Optima as anticipated. If Optima is unable to timely obtain the financing, the closing of the Merger could be significantly delayed or may not occur at all.

Under the Merger Agreement, KES and ALJ have the right to terminate the Merger Agreement, upon written notice to Optima, no later than December 31, 2012, if the Note Offering shall not have been consummated for \$50 million in gross proceeds to Optima by the Financing Confirmation Date as defined in the Merger Agreement, which is expected to occur on or around December 20, 2012.

Under the Merger Agreement, Optima will be required to pay us a reverse termination fee of 3.0% of the total purchase price, or \$3,375,000, if the Merger Agreement (assuming it is not terminated by us by December 31, 2012) is terminated by either Optima, on the one hand, or ALJ or KES, on the other hand, if the closing of the Merger shall not have occurred on or prior to February 28, 2013 as a result of the Note Offering not being consummated for \$50 million in gross proceeds to Optima on or prior to such date or if the Merger Agreement is terminated by Optima because the Note Offering cannot be reasonably consummated by such date.

If the Merger is completed, we will be a company with minimal to no operations and a relatively large cash balance.

Once the Merger is completed (which is a condition of the Tender Offer), we will continue to incur ongoing expenses for employee salaries and certain other expenses while we look to find another business to acquire but will have no operations to produce cash. We cannot assure you how much of the cash proceeds, if any, will ultimately be distributed to stockholders or will be available for future acquisitions.

After the Merger, we will be exposed to fluctuations in the value of our investment portfolio.

We intend to invest the proceeds from the Merger in investment-grade, interest-bearing securities such as money market funds, certificates of deposit, or direct or guaranteed obligations of the U.S. government, or hold as cash. We cannot predict whether the proceeds invested will yield a favorable return. Our management will have broad discretion in the application of the Merger proceeds, and stockholders will be relying on the judgment of our management regarding the application of the net proceeds.

Any significant decline in the market value of our cash, cash equivalents and marketable securities could materially adversely affect the Company's financial condition and operating results. Credit ratings and pricing of investment securities can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents and marketable securities could decline and result in a significant impairment, which could materially adversely affect the Company's financial condition and operating results.

We may not be able to identify suitable acquisition targets at prices we consider appropriate.

We intend to use the proceeds from the Merger, less any such proceeds used for the Tender Offer, to invest in or acquire control of one or more operating businesses through merger, capital stock exchange, stock purchase, asset acquisition or other similar investment. However, we are not obligated to do so, and no specific acquisition targets have been designated at this time. There can be no assurances that we will be able to identify suitable acquisition targets. If we do identify an appropriate acquisition target, we may not be able to successfully and satisfactorily negotiate the terms of the acquisition, including a price that we consider acceptable.

Our stockholders likely will not be afforded an opportunity to vote on any future acquisitions, unless such vote is required by law.

We likely will not hold a stockholder vote before we consummate a future acquisition unless the acquisition would require stockholder approval under applicable state law or if we decide to hold a stockholder vote for business or other legal reasons. Accordingly, our stockholders will likely not have control over the future direction of our business.

Subsequent to any acquisition, we may be required to take or incur write-downs or write-offs, restructuring and impairment or other charges or expenditures that could have a significant

negative effect on our financial condition, results of operations and our stock price, which could cause you to lose some or all of your investment.

Even if we conduct extensive due diligence on an acquisition target that we acquire, we cannot assure you that this diligence will surface all material issues that may be present inside a particular acquisition target, that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of the acquisition target and outside of our control will not later arise. As a result of these factors, we may be forced to later write-down or write-off assets, restructure our operations, or incur impairment or other charges or expenditures that could result in our reporting losses. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even if these charges are non-cash items and do not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about us or our securities. In addition, charges of this nature may cause us to violate net worth or other covenants to which we may be subject as a result of assuming pre-existing debt held by an acquisition target or by virtue of our obtaining financing in connection with any such acquisition. Further, unexpected expenses could have a serious impact on our liquidity.

A significant portion of our cash could be expended in pursuing acquisitions that are not consummated.

It is anticipated that the investigation of each specific acquisition target and the negotiation, drafting and execution of relevant agreements, disclosure documents and other instruments will require substantial time and attention and substantial costs for accountants, attorneys and others. In addition, we may opt to make down payments or pay exclusivity or similar fees in connection with structuring and negotiating an acquisition. If a decision is made not to complete a specific acquisition, the costs incurred up to that point in connection with the abandoned transaction, potentially including down payments or exclusivity or similar fees, will not be recoverable. Furthermore, even if an agreement is reached relating to a specific acquisition target, we may fail to consummate the transaction for any number of reasons including those beyond our control. Any such event will result in a loss to us of the related costs incurred, which could materially and adversely affect our subsequent attempts to locate and combine with another business.

We may be unable to obtain equity or debt financing, if required, to complete an acquisition or to fund the operations and growth of an acquisition target.

As outlined above, we may be required to seek additional financing through the issuance of equity or debt securities or other financing arrangements to complete an acquisition or under an employee incentive plan after consummation of an acquisition. We cannot assure you that such financing will be available on acceptable terms, if at all. To the extent that additional financing proves to be unavailable when needed to consummate a particular acquisition, we may be compelled to restructure or abandon that particular acquisition and seek alternative acquisition targets. The presence of a financing contingency will make us less competitive in relation to other bidders in a particular transaction. In addition, if we complete an acquisition, we may require additional financing to fund the operations or growth of the acquisition target. The

failure to secure additional financing could have a material adverse effect on the continued development or growth of our combined business or businesses.

We may issue notes or other debt securities, or otherwise incur substantial debt, to complete an acquisition, which may adversely affect our leverage and financial condition and thus negatively impact the value of our stockholders' investment in us.

Although we have no commitments as of the date hereof to issue any notes or other debt securities, or to otherwise incur outstanding debt, we may choose to incur substantial debt to complete an acquisition. The incurrence of debt could have a variety of negative effects, including:

- default and foreclosure on our assets if our operating revenues after an acquisition are insufficient to repay our debt obligations;
- acceleration of our obligations to repay the indebtedness even if we make all principal and interest payments when due if we breach certain covenants that require the maintenance of certain financial ratios or reserves without a waiver or renegotiation of that covenant;
- our immediate payment of all principal and accrued interest, if any, if the debt security is payable on demand;
- our inability to obtain necessary additional financing if the debt security contains covenants restricting our ability to obtain such financing while the debt security is outstanding;
- our inability to pay dividends on our common stock;
- using a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for dividends on our common stock if declared, expenses, capital expenditures, acquisitions and other general corporate purposes;
- limitations on our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- increased vulnerability to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and
- limitations on our ability to borrow additional amounts for expenses, capital expenditures, acquisitions, debt service requirements, execution of our strategy and other purposes and other disadvantages compared to our competitors who have less debt.

We cannot assure you that any acquisitions we make will be successful.

We cannot assure you that any completed acquisition will be successful and that our investments will yield a favorable return. Our management may not have experience in the industry in which we decide to invest. Until we select a particular industry or business with

which to complete an acquisition, there is no current basis for you to ascertain the merits or risks of the industry or business in which we may ultimately operate. Although we will evaluate the risks inherent in a particular target business, we cannot assure you that all of the significant risks present in that target business will be properly assessed. Even if we properly assess those risks, some of them may be outside of our control. Further, we anticipate that acquisitions would be made largely or completely with cash, meaning a substantial portion of our available cash could be used to consummate the acquisitions or we could incur or assume significant amounts of indebtedness. We also may experience significant financial, managerial and operational challenges in the integration of acquired businesses, and we may not be able to retain key employees of the acquired companies or maintain good relations with their clients or suppliers.

Because of our structure, other companies may have a competitive advantage and we may not be able to consummate an attractive acquisition.

In pursuing our acquisition strategy, we expect to encounter competition from entities having a business objective similar to ours, including venture capital funds, leveraged buyout funds and operating businesses. Many of these entities are well established and have extensive experience in identifying and effecting acquisitions directly or through affiliates. Many of these competitors possess greater technical, human and other resources than we do and our financial resources will be relatively limited when contrasted with those of many of these competitors. While we believe that there are potential acquisition targets that we could acquire with the net proceeds from the Merger, our ability to compete in acquiring certain sizable acquisition targets will be limited by our available financial resources. This inherent competitive limitation gives others an advantage in pursuing the acquisition of certain target businesses. In addition, we are limited in our ability to issue common stock due to limitations arising from maintaining our NOLs, and such limitation may impede our ability to structure any acquisition. Any of the foregoing may place us at a competitive disadvantage in successfully negotiating any acquisition.

We may only be able to complete one acquisition with the proceeds of the Merger, which will cause us to be solely dependent on a single business which may have a limited number of products or services.

It is likely we will only be able to complete an acquisition of a single target business given our limited cash resources and need to rely on substantial leverage. By consummating an acquisition with only a single entity, our lack of diversification may subject us to numerous economic, competitive and regulatory developments. Further, we would not be able to diversify our operations or benefit from the possible spreading of risks or offsetting of losses, unlike other entities which may have the resources to complete several acquisitions in different industries or different areas of a single industry. Accordingly, the prospects for our success may be solely dependent upon the performance of a single business, or dependent upon the development or market acceptance of a single or limited number of products, processes or services.

This lack of diversification may subject us to numerous economic, competitive and regulatory developments, any or all of which may have a substantial adverse impact upon the particular industry in which we may operate subsequent to our initial acquisition.

Alternatively, if we acquire more than one business, we could also face additional risks, including additional burdens and costs with respect to possible multiple negotiations and due

diligence investigations (if there are multiple sellers) and the additional risks associated with the subsequent assimilation of the operations and services or products of the acquired companies. If we are unable to adequately address these risks, it could negatively impact our profitability and results of operations.

Since we have not yet selected a particular industry or acquisition target with which to complete our initial acquisition, we are unable to currently ascertain the merits or risks of the industry or business in which we may ultimately operate.

We may acquire a company in any industry we choose and are not limited to any particular industry or type of business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular industry in which we may ultimately operate or the target business which we may ultimately acquire. To the extent we complete our initial acquisition with a financially unstable company or an entity in its development stage, we may be affected by numerous risks inherent in the business operations of those entities. If we complete our initial acquisition with an entity in an industry characterized by a high level of risk, we may be affected by the currently unascertainable risks of that industry. Although our management will endeavor to evaluate the risks inherent in a particular industry or target business, we may not properly ascertain or assess all of the significant risk factors.

The officers and directors of an acquisition target may resign upon consummation of an acquisition. The loss of an acquisition target's key personnel could negatively impact the operations and profitability of the target after the acquisition.

The role of an acquisition target's key personnel upon the consummation of an acquisition cannot be ascertained at this time. Although we contemplate that certain members of an acquisition target's management team will remain associated with the acquisition target following an acquisition, it is possible that members of the management of an acquisition target will not wish to remain in place.

We are dependent upon our officers and directors and their loss could adversely affect our ability to operate.

Our operations are dependent upon a relatively small group of individuals and, in particular, our officers and directors. We believe that our success depends on the continued service of our officers and directors, at least until we have consummated an acquisition. In addition, our officers and directors are not required to commit any specified amount of time to our affairs and, accordingly, will have conflicts of interest in allocating management time among various business activities, including identifying potential acquisition opportunities and monitoring the related due diligence. The unexpected loss of the services of one or more of our directors or officers could have a detrimental effect on us.

We cannot assure you that our common stock will become listed on any securities exchange.

Although we may apply to list our common stock on NASDAQ, the American Stock Exchange or some other securities exchange in the future, we currently have no plans to do so. We also cannot assure you that we will be able to meet the initial listing standards, including the

minimum per share price and minimum capitalization requirements, or that we will be able to maintain a listing of our common stock on either of those or any other trading venue. Until such time as we qualify for listing on NASDAQ, the American Stock Exchange or another trading venue, our common stock will continue to be quoted on the Pink Sheets which may make it more difficult for an investor to dispose of shares or obtain accurate quotations as to the market value of our common stock. In addition, rules promulgated by the SEC impose various practice requirements on broker-dealers who sell securities that fail to meet certain criteria set forth in those rules to persons other than established customers and accredited investors. Consequently, these rules may deter broker-dealers from recommending or selling our common stock, which may further affect the liquidity of our common stock. It would also make it more difficult for us to raise additional capital.

Following the consummation of the Merger, we may be required to register as an “investment company” under the Investment Company Act if we fail to acquire another operating business within one year.

We are not engaged in the business of investing, reinvesting or trading in securities, and we do not hold ourselves out as being engaged in those activities. However, under the Investment Company Act of 1940, as amended (the “Investment Company Act”), a company may fall within the scope of being an “inadvertent investment company” if the value of its investment securities (as defined in the Investment Company Act) is more than 40% of its total assets (exclusive of government securities and cash and certain cash equivalents). Our investment securities will likely have a value in excess of 40% of the value of our total assets (exclusive of government securities and cash and certain cash equivalents) following the closing of the Merger.

There is an exception to the requirement to register as an investment company that would give us a grace period of one year if we become an inadvertent investment company before we would be required to register as an investment company. This exception would allow us one year from the date of becoming an inadvertent investment company to become engaged primarily in businesses other than investing, reinvesting, owning, holding or trading in securities.

In order to cease being an inadvertent investment company, we intend to acquire one or more operating businesses, or at least controlling interests in one or more operating businesses, so that our principal business will be other than that of investing, reinvesting, owning, holding or trading in securities. There can be no assurance that we will be able to complete such acquisitions by the applicable deadline.

In the event that we are required to register as an investment company under the Investment Company Act, we would be forced to comply with substantive requirements including limitations on our ability to borrow, limitations on our capital structure, limitations on the issuance of debt and equity securities, restrictions on acquisitions of interests in partner companies, prohibitions on transactions with affiliates, prohibitions on the issuance of options and other limitations on our ability to compensate key employees, certain governance requirements, restrictions on specific investments and reporting and record-keeping, voting and proxy disclosure requirements. In the event that we are deemed to be an investment company subject to registration as such under the Investment Company Act, compliance costs and burdens

upon ALJ may increase and the additional requirements may adversely affect our business, results of operations or financial condition.

We may issue additional common or preferred shares to complete an acquisition or under an employee incentive plan after consummation of an acquisition, which would dilute the interest of our stockholders and likely present other risks.

We may issue a substantial number of additional shares of common or preferred stock in connection with an acquisition or under an employee incentive plan after consummation of an acquisition. The issuance of additional shares of common or preferred stock:

- may significantly dilute the equity interest of holders of common stock;
- may subordinate the rights of holders of common stock if preferred stock is issued with rights senior to those afforded our common stock;
- could cause a change in control if a substantial number of common stock is issued, which may affect, among other things, our ability to use our net operating loss carry forwards, if any, and could result in the resignation or removal of our present officers and directors; and
- may adversely affect prevailing market prices for our common stock.

THE MERGER

THE TENDER OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OR AMOUNT OF SHARES BEING TENDERED. THE TENDER OFFER IS, HOWEVER, SUBJECT TO OTHER CONDITIONS, INCLUDING CONSUMMATION OF THE MERGER, WHICH IS DESCRIBED IN THIS SECTION. SEE SECTION 7 FOR A DESCRIPTION OF ADDITIONAL CONDITIONS.

The following description of the Merger, including the Merger Agreement, is qualified in its entirety by reference to the Merger Agreement, a copy of which is available on www.pinksheets.com and www.aljregionalholdings.com in the Current Report filed on November 19, 2012 and which will be attached as Annex A to the Company's proxy statement relating to the Special Meeting. A copy of the proxy statement will be available at www.pinksheets.com and www.aljregionalholdings.com and will be mailed to stockholders of record as of November 28, 2012 on or around November 30, 2012.

The proxy statement will contain unaudited pro forma consolidated balance sheets that will present the financial position of the Company at certain historical dates, each giving effect to the Merger as if it had occurred on those dates. The proxy statement will also contain the unaudited pro forma consolidated statements of operations for the nine months ended June 30, 2012 and for the years ended September 30, 2010 and 2011 that give effect to the Merger as if it had occurred at the beginning of each such period.

The Merger Agreement and the below description have been made available to provide investors and stockholders with information regarding the terms thereof. They are not intended

to provide any other factual information about ALJ, KES, Optima or their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the Merger Agreement were made only for purposes of that agreement and as of specific dates; were solely for the benefit of the parties to the Merger Agreement; and may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made by each contracting party to the other for the purposes of allocating contractual risk between them that differ from those applicable to investors. Investors should not rely on the representations, warranties and covenants or any description thereof as characterizations of the actual state of facts or condition of ALJ, KES, Optima or any of their respective subsidiaries, affiliates or businesses. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Merger Agreement, which subsequent information may or may not be fully reflected in public disclosures by ALJ. Accordingly, investors should read the representations and warranties in the Merger Agreement not in isolation but only in conjunction with the other information about ALJ and KES that ALJ includes in reports, statements and other filings provided to stockholders or otherwise made publicly available.

Parties to the Agreement

ALJ

ALJ is a holding company, whose primary asset is a majority share of the outstanding common stock and 100% of the voting securities of KES, the owner and operator of a steel mini-mill near Ashland, Kentucky, which we refer to herein as the “Mill.” See Section 10.

KES

Our business is conducted through KES, our majority-owned subsidiary, which owns and operates the Mill. See Section 10.

Optima

Optima Specialty Steel, Inc., headquartered in Miami, Florida, is one of North America’s leading independent manufacturers of high quality cold drawn seamless tubes and cold finished steel bars. As a steel processing specialist, the company leverages its technical expertise, skilled workforce and sophisticated equipment to produce highly engineered products including pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing and specialty bars that meet its clients’ exact order specifications. Optima Specialty Steel is operated through its two wholly owned subsidiaries: South Lyon, Michigan-based Michigan Seamless Tube, LLC and Hammond, IN-based Niagara LaSalle Corporation.

Optima’s current affiliated companies in the North American steel and metals industry include Warren Steel Holdings, LLC, a Warren, Ohio-based EAF steel mill; Steel Rolling Holdings, Inc., a Gibraltar, Michigan-based cold rolled processor; CC Metals & Alloys, LLC, a Calvert City, Kentucky producer of ferrosilicon; Felman Production, LLC, a New Haven, West Virginia producer of ferrosilicon manganese; and Felman Trading, Inc., a Miami, Florida-based ferroalloys trading company.

Merger Sub

KES Optima Acquisition Inc. is a wholly owned subsidiary of Optima that was formed for the purpose of the Merger and otherwise has no current operations.

Merger Agreement

General

Pursuant to the Merger Agreement, Optima has agreed to pay \$112.5 million, allocated as described below, for all of the outstanding stock of KES. The parties have provided each other with customary representations and warranties as more fully set forth in the Merger Agreement. In addition, we have agreed to certain covenants, including interim operating covenants which place certain restrictions on the operation of KES' business until the Merger closes or the Merger Agreement is terminated.

Allocation of Purchase Price

Optima has agreed to pay total consideration of \$112.5 million for KES. The total consideration of \$112.5 million will be allocated approximately as follows:

- \$43.1 million, representing the aggregate amount of debt, transaction expenses and similar obligations of KES (including payments under the Tax Sharing Agreement (as defined in the Merger Agreement) with respect to periods prior to the Merger, the termination fee under the Management Agreement (as defined in the Merger Agreement) and payments to the holders of certain subordinated term loans ("Subordinated Loans") under the Subordinated Financing Agreement, dated as of July 20, 2009, by and among KES, as borrower, the lenders party thereto and Ableco Finance LLC as collateral and administrative agent) payable at the Merger closing,
- \$11.9 million, representing the aggregate amount payable at the Merger closing to holders of KES' Series A Preferred Stock, and
- \$9.7 million, representing the aggregate amount payable at the Merger closing to holders of KES' Series B Common Stock.

We hold all of the outstanding shares of Series A Common Stock of KES and 160 of the 13,063 outstanding shares (1.22%) of Series B Common Stock of KES. We also hold Subordinated Loans in the amount of approximately \$267,000 in principal and accrued and unpaid interest as of the expected closing of the Merger.

After allocation of the total consideration as described above, and based on our current expectations and assuming a closing date of December 21, 2012, the unrestricted cash proceeds to ALJ from the Merger are expected to be approximately \$48 million. The total unrestricted cash at ALJ following the Merger closing is expected to be approximately \$51 million. For purposes of illustration, this expected cash at ALJ, if divided by the number of outstanding shares of ALJ common stock on November 19, 2012 on a fully diluted basis, equates to approximately \$0.86 per share of ALJ common stock based on our current estimates.

Completion of the Merger

In the event the stockholders approve the Merger, the parties currently expect the closing of the Merger to occur promptly following the Special Meeting, subject to various regulatory clearances and the satisfaction or waiver of other conditions described in the Merger Agreement, including Optima's consummation of the Note Offering. However, we do not expect the Merger to close prior to December 21, 2012.

Representations and Warranties

The Merger Agreement contains a number of customary representations and warranties applicable to KES, including, but not limited to, representations and warranties relating to the following matters: financial statements, inventory, accounts receivable, material contracts, absence of certain litigation, leased and owned real property, environmental matters, and employee and labor matters.

The Merger Agreement also contains a number of customary representations and warranties applicable to us, including, but not limited to, representations and warranties relating to the following matters: financial statements, title to shares of KES, and the opinion of Roth.

The Merger Agreement also contains a number of customary representations and warranties applicable to Optima and Merger Sub, including, but not limited to, representations and warranties relating to the following matters: sufficiency of funds, acquisition of KES for investment purposes and absence of litigation.

Conduct of Business Pending the Merger

Under the Merger Agreement, during the period of time after signing and before the effective time of the Merger, KES is required to conduct its business in all material respects only in the ordinary course and consistent with past practice and to exercise commercially reasonable efforts to preserve substantially intact its business organization and to preserve its business relationships.

During this period of time, except as expressly contemplated by the Merger Agreement or as consented to by Optima, KES is restricted from engaging in certain activities, including, but not limited to: selling or disposing of any material properties or assets outside of the ordinary course of business; incurring any indebtedness for borrowed money; increasing the compensation to any of its employees; making any capital expenditures in excess of certain monetary thresholds; or entering into any new line of business.

No Solicitation of Alternative Proposals

The Merger Agreement restricts our ability to solicit or engage in discussions or negotiations with third parties regarding specified transactions involving the sale of our or KES' assets or securities. Notwithstanding these restrictions, under certain limited circumstances, our Board of Directors or KES' Board of Directors may respond to an unsolicited alternative acquisition proposal made by a third party, change its recommendation with respect to the Merger or terminate the Merger Agreement to enter into an alternative acquisition agreement if it constitutes a "Superior Company Proposal" under the criteria and pursuant to the procedures set forth in the Merger Agreement.

Efforts to Obtain Required Stockholder Votes

We agreed to use commercially reasonable efforts to obtain stockholder approval for the proposal to approve the Merger, unless our Board of Directors no longer recommends the proposal. We must use commercially reasonable efforts to hold the Special Meeting for the purpose of considering the approval of the Merger even if our Board of Directors no longer recommends the proposal.

Efforts to Complete the Merger

Each party has agreed to use commercially reasonable efforts to consummate and make effective, as soon as reasonably practicable, the Merger. The parties have also agreed not to engage in any action that would reasonably be expected to materially delay the consummation of, or otherwise adversely affect, the Merger.

Labor Matters; Employee Benefits Matters

Optima has agreed to cause the surviving corporation to recognize upon closing, United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (the "Union"), as the bargaining representative for KES' employees. Optima will accept, and cause the surviving corporation to accept, the Collective Bargaining Agreement, as defined in the Merger Agreement.

The Merger Agreement also sets forth certain obligations on Optima with respect to employee benefit plans applicable to KES employees after the effective time of the Merger, such as requiring Optima to maintain certain benefits levels for KES employees.

Note Offering

Optima has agreed to use reasonable best efforts to arrange, with a closing no later than February 28, 2013, the sale of additional 12.5% senior secured notes due 2016 issued pursuant to that certain indenture dated as of December 5, 2011 among Optima, the Guarantors (as defined therein) and Wilmington Trust, N.A. as trustee and noteholder collateral agent, for not less than \$50 million in gross proceeds (the "Note Offering"). The consummation of the Note Offering will require, among other things, consents from Optima's existing senior lenders and noteholders.

KES has agreed to provide reasonable cooperation in connection with the arrangement of the Note Offering as may be reasonably requested by Optima, including participation in meetings, drafting sessions, due diligence, furnishing of financial and other pertinent information to consummate the Note Offering. Optima has agreed to reimburse KES and ALJ for all reasonable out-of-pocket legal and accounting fees and expenses incurred in providing such cooperation.

There can be no assurance that the financing will be available or that any of the conditions to the financing will be met or that Optima otherwise will consummate the financing. If the financing is not available, Optima is not required to consummate the Merger.

Indemnification and Insurance

Optima has agreed that from and after the effective time of the Merger, it will cause the surviving corporation to comply with all obligations of KES in existence or in effect on the date of the Merger Agreement under its certificate of incorporation and bylaws to indemnify, defend and hold harmless each former and current officer, director or fiduciary of KES against any and all losses, claims, damages and expenses in connection with any claim, action, suit or investigation arising out of the fact that such person held such position with KES at or prior to the effective time of the Merger.

Prior to the effective time of the Merger, KES may obtain six-year “tail” insurance policies with respect to directors’ and officers’ liability insurance at terms as favorable as the Company’s existing policy for claims arising from facts or events occurring prior to the effective time. If KES does not obtain such coverage, the surviving corporation is required to do so.

Conditions to the Merger

Before we can complete the Merger, a number of conditions must be satisfied. These include, among other things:

- the receipt of our stockholder approval;
- the expiration or termination of any waiting period under the HSR Act;
- termination of the Tax Sharing Agreement;
- the execution of a stock purchase agreement by Merger Sub, KES and all the holders of outstanding Series B Common Stock and Series A Preferred Stock of KES and compliance with the terms thereof required to be complied with prior to the closing;
- termination of the Management Agreement and that certain Fee and Reimbursement Agreement, dated September 30, 2011, between KES, on the one hand, and Jess Ravich (including certain trusts for his benefit and the benefit of his family); and
- all closing deliverables, including payment of the purchase price, must have been received or the requirement to deliver such items must have been waived by the appropriate party.

In addition, the obligations of Optima and Merger Sub to complete the Merger are subject to the satisfaction by us and/or KES or waiver by Optima of conditions, including the following:

- the representations and warranties relating to authority and capital structure or which are qualified by materiality must have been true and correct as of the date of the Merger Agreement and shall be true and correct as of the closing date, and all other representations and warranties must have been true and correct in all material respects as of the date of the Merger Agreement and shall be true and correct as of the closing date, except those representations and warranties which address matters only as of a particular date;

- we and KES shall have performed and complied in all material respects with each of the covenants and obligations we were required to perform under the Merger Agreement prior to the closing of the Merger;
- receipt of certificates from KES and ALJ each signed by an executive officer thereof as to the satisfaction of the conditions described in the preceding two bullets;
- absence of any law or governmental order prohibiting or restraining the consummation of the Merger;
- the absence of a Material Adverse Effect with respect to KES;
- the consummation of the Note Offering and the receipt by Optima of \$50 million in gross proceeds from the Note Offering;
- we must have delivered to Optima our estimate of the calculation of the Merger consideration and the components thereof two business days prior to the closing; and
- the Net Working Capital (as defined in the Merger Agreement) of KES must be at least \$24,000,000.

Finally, the obligations of KES to complete the Merger are subject to the satisfaction by Optima and Merger Sub or waiver by KES of conditions, including the following:

- the representations and warranties made by Optima or Merger Sub relating to authority or which are qualified by materiality must have been true and correct as of the date of the Merger Agreement and must be true and correct as of the closing date, and all other representations and warranties must have been true and correct in all material respects as of the date of the Merger Agreement and must be true and correct as of the closing date, except those representations and warranties that address matters only as of a particular date, which need only be true and correct as of such date;
- Optima and Merger Sub shall have performed and complied in all material respects with each of the covenants and obligations that they are required to perform under the Merger Agreement prior to the closing;
- receipt of a certificate from Optima signed by an executive officer thereof as to the satisfaction of the conditions described in the preceding two bullets;
- the absence of any law or governmental order prohibiting the Merger;
- Optima and Merger Sub shall have taken all actions reasonably requested by the Union to evidence their agreement to recognize and accept the Collective Bargaining Agreement and the obligation, following the Merger, of the surviving corporation to recognize and honor the Collective Bargaining Agreement in accordance with its terms thereof.

Termination of the Merger Agreement

The parties may, by mutual written consent, terminate the Merger Agreement at any time prior to the completion of the Merger.

In addition, either Optima, on one hand, or KES or ALJ, on the other hand, may terminate the Merger Agreement:

- at any time after February 28, 2013, (the “outside date”), upon notice to the other, if the closing shall not have occurred on or prior to the outside date; except that the right to terminate will not be available to any party whose failure to fulfill any obligation under the Merger Agreement causes or results in the failure of the closing to occur on or before the outside date;
- at any time prior to the outside date, upon notice to the other, if the terminating party’s conditions to closing cannot be reasonably satisfied by the outside date; except that the right to terminate will not be available to any party that has failed to comply with their respective obligations in any material respect and have failed to cure such noncompliance on or before the outside date;
- if the required stockholder approval has not been obtained at or by the time immediately following the Special Meeting;
- prior to the closing, upon notice to the other, so long as the terminating party is not in material breach or default of the Merger Agreement, of a material breach or default by the other party under the Merger Agreement that if not cured could result in failure of the conditions to closing, which is not cured within 30 days after receipt of written notice of such breach or default; or

KES or ALJ may terminate the Merger Agreement:

- in order to enter into an acquisition agreement with respect to a Superior Company Proposal (as defined in the Merger Agreement), subject to compliance with certain obligations to provide notice to and to negotiate with Optima prior to such termination; or
- upon written notice to Optima, at any time after the date that is 14 business days after KES delivers its audited financial statements at and for the fiscal year ended September 30, 2012 and certain other materials to Optima (the “Financing Confirmation Date”), but no later than December 31, 2012, if the Note Offering shall not have been consummated for \$50 million in gross proceeds to Optima on or prior to the Financing Confirmation Date; unless within 48 hours of the Financing Confirmation Date, ALJ notifies Optima (1) that it will agree to receive the difference between (i) the aggregate gross proceeds that Optima has received in the Note Offering and (ii) \$50 million (the “Financing Shortfall”) in notes (at par) in lieu of cash (subject to ALJ’s determination that receipt of notes would be in compliance with applicable corporate and securities laws) or (2) one or more designees of ALJ notify Optima that they will purchase notes in an amount equal to the Financing Shortfall in the Note Offering.

Termination Fee

Under the Merger Agreement, we may also be required to pay Optima a termination fee of 3.0% of the total purchase price, or \$3,375,000, if

- the Merger Agreement is terminated by ALJ or KES to pursue a superior company proposal; or
- the Merger Agreement is terminated as a result of the requisite stockholder approval not being obtained or the Merger failing to close by February 28, 2013 after stockholder approval, if, in each case, within twelve months of such termination, ALJ or KES either enters into an agreement for or consummates an acquisition by a person with whom ALJ or KES was engaging in discussions prior to such termination.

Under the Merger Agreement, Optima will be required to pay us a reverse termination fee of 3.0% of the total purchase price, or \$3,375,000, if the Merger Agreement (assuming it is not terminated by us by December 31, 2012) is terminated by either Optima, on the one hand, or ALJ or KES, on the other hand, if the closing of the Merger shall not have occurred on or prior to February 28, 2013 as a result of the Note Offering not being consummated for \$50 million in gross proceeds to Optima on or prior to such date or if the Merger Agreement is terminated by Optima because the Note Offering cannot be reasonably consummated by such date.

THE TENDER OFFER

1. Number of Shares; Proration.

General. Upon the terms and subject to the conditions of the Tender Offer, we will purchase 30,000,000 shares of common stock, or such lesser number of shares as are properly tendered and not properly withdrawn in accordance with Section 4 before December 24, 2012, at a price not greater than \$0.86 nor less than \$0.84 per share, net to the seller in cash, less applicable withholding taxes and without interest.

The term “expiration date” means 12:00 Midnight, New York City time, on December 24, 2012, unless we, in our sole discretion, extend the period of time during which the Tender Offer will remain open, in which event the term “expiration date” shall refer to the latest time and date at which the Tender Offer, as so extended by us, shall expire. See Section 15 for a description of the Company’s right to extend, delay, terminate or amend the Tender Offer.

However, we may, and we expressly reserve the right to, purchase pursuant to the Tender Offer an additional number of shares not to exceed 2% of the outstanding shares (or 1,141,349 shares, based on our shares outstanding as of November 19, 2012) without amending or extending the Tender Offer. See Section 15. We may also reduce the number of shares we are purchasing below 30,000,000, if we determine, in our sole and absolute discretion, that it is necessary to do so in order to preserve our ability to use our NOLs to offset federal income taxes in the future. Under Section 382 of the Internal Revenue Code, our ability to use the NOLs would be limited to the extent that we were to experience an “ownership change” as defined therein. Any such reduction would be on a *pro rata* basis, except for “odd lots” (lots held by owners of less than 100 shares), which we will purchase on a priority basis as described in further detail below.

In the event of an over-subscription of the Tender Offer as described below, shares tendered at or below the Purchase Price will be subject to proration, except for odd lots. The proration period and, except as described herein, withdrawal rights, expire on the expiration date.

Extension of Tender Offer. If we:

- increase the price to be paid for shares above \$0.86 per share or decrease the price to be paid for shares below \$0.84 per share, or
- increase the number of shares being sought in the Tender Offer and this increase in the number of shares sought exceeds 2% of the outstanding shares, or
- decrease the number of shares being sought other than as necessary to protect our NOLs, and
- the Tender Offer is scheduled to expire at any time earlier than the expiration of a period ending on the tenth business day from, and including, the date that we first publish, send or give notice, in the manner specified in Section 15, of any increase or decrease,

then we will extend the Tender Offer until the expiration of ten business days from the date that we first publish notice of any such increase or decrease. For the purposes of the Tender Offer, a “business day” means any day other than a Saturday, Sunday or U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

In accordance with Instruction 5 of the Letter of Transmittal, stockholders desiring to tender shares must specify the price or prices, not greater than \$0.86 nor less than \$0.84 per share, at which they are willing to sell their shares to us pursuant to the Tender Offer. Alternatively, stockholders desiring to tender shares can choose not to specify a price and, instead, specify that they will sell their shares at the Purchase Price that the Company ultimately pays for shares properly tendered and not properly withdrawn in the Tender Offer, which could result in the tendering stockholder receiving a price per share as low as \$0.84 or as high as \$0.86. If tendering stockholders wish to maximize the chance that the Company will purchase their shares, they should check the box in the section of the Letter of Transmittal captioned “Shares Tendered at Price Determined Pursuant to the Tender Offer.” Note that this election could result in the tendered shares being purchased at the minimum price of \$0.84 per share. This election could also have the effect of decreasing the price at which the Company purchases tendered shares because shares tendered using this election will be available for purchase at the minimum price of \$0.84 per share.

To tender shares properly, stockholders must specify one, and only one, price box in the appropriate section in each Letter of Transmittal. If you specify more than one price or if you fail to check any price at all you will not have validly tendered your shares. See Section 3.

Promptly following the expiration date, we will, in our sole discretion, determine the Purchase Price that we will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the number of shares tendered and the prices specified by tendering stockholders. We will select the lowest Purchase Price, not greater than \$0.86 nor less than \$0.84 per share, net to the seller in cash, less applicable withholding taxes and without interest, that will enable us to purchase 30,000,000 shares, or such lesser number of shares as are properly tendered and not properly withdrawn in the Tender Offer. We will purchase all shares properly tendered at or below the Purchase Price (and not properly withdrawn), all at the same Purchase Price, upon the terms and subject to the conditions of the Tender Offer, including the odd lot, proration and conditional tender provisions.

We will not purchase shares tendered at prices greater than the Purchase Price and shares that we do not accept in the Tender Offer because of proration provisions or conditional tenders. We will return to the tendering stockholders shares that we do not purchase in the Tender Offer at our expense promptly after the expiration date. By following the instructions to the Letter of Transmittal, stockholders can specify one minimum price for a specified portion of their shares and a different minimum price for other specified shares, but stockholders must submit a separate Letter of Transmittal for shares tendered at each price. Stockholders also can specify the order in which we will purchase the specified portions of their shares in the event that, as a result of the proration provisions or otherwise, we purchase some but not all of the tendered shares pursuant to the Tender Offer.

If the number of shares properly tendered at or below the Purchase Price and not properly withdrawn prior to the expiration date is less than or equal to 30,000,000, or such greater number of shares as we may elect to purchase, subject to applicable law, we will, upon the terms and subject to the conditions of the Tender Offer, purchase all such shares.

Priority of Purchases. Upon the terms and subject to the conditions of the Tender Offer, if greater than 30,000,000 shares, or such greater number of shares as we may elect to purchase, subject to applicable law, have been properly tendered at prices at or below the Purchase Price and not properly withdrawn prior to the expiration date, we will purchase properly tendered shares on the basis set forth below:

- First, we will purchase all shares tendered by all holders of “odd lots” who:
 - tender all shares owned beneficially or of record at a price at or below the Purchase Price selected by us (partial tenders will not qualify for this preference); and
 - complete the section entitled “Odd Lots” in the Letter of Transmittal.
- Second, subject to the conditional tender provisions described in Section 6, we will purchase all other shares tendered at prices at or below the Purchase Price selected by us on a *pro rata* basis, with appropriate adjustments to avoid purchases of fractional shares, as described below.
- Third, only if necessary to permit us to purchase 30,000,000 shares (or such greater number of shares as we may elect to purchase, subject to applicable law), shares conditionally tendered (for which the condition was not initially satisfied) at or below the Purchase Price selected by us, will, to the extent feasible, be selected for purchase by random lot. To be eligible for purchase by random lot, stockholders whose shares are conditionally tendered must have tendered all of their shares.

We may not purchase all of the shares that a stockholder tenders in the Tender Offer even if they are tendered at prices at or below the Purchase Price. It is also possible that we will not purchase any of the shares conditionally tendered even though those shares were tendered at prices at or below the Purchase Price.

Odd Lots. For purposes of the Tender Offer, the term “odd lots” shall mean all shares properly tendered prior to the expiration date at prices at or below the Purchase Price and not properly withdrawn by any person, referred to as an “odd lot” holder, who owns beneficially or of record an aggregate of fewer than 100 shares and so certifies in the appropriate place on the Letter of Transmittal. To qualify for this preference, an odd lot holder must tender all shares owned beneficially or of record by the odd lot holder in accordance with the procedures described in Section 3. As set forth above, we will accept odd lots for payment before proration, if any, of the purchase of other tendered shares. This preference is not available to partial tenders or to beneficial or record holders of an aggregate of 100 or more shares, even if these holders have share certificates representing fewer than 100 shares. By accepting the Tender Offer, an odd lot holder who holds shares in its name and tenders its shares directly to the Depository would not only avoid the payment of brokerage commissions, but also would avoid

any applicable odd lot discounts in a sale of the odd lot holder's shares in an Over the Counter transaction. Any odd lot holder wishing to tender all of its shares pursuant to the Tender Offer should complete the section entitled "Odd Lots" in the Letter of Transmittal.

Proration. If proration of tendered shares is required, we will determine the proration factor as soon as practicable following the expiration date. Subject to adjustment to avoid the purchase of fractional shares and subject to the provisions governing conditional tenders described in Section 6 of this Offer to Purchase, proration for each stockholder that tenders shares will be based on the ratio of the total number of shares that we accept for purchase (excluding "odd lots") to the total number of shares properly tendered (and not properly withdrawn) at or below the Purchase Price by all stockholders (other than "odd lot" holders).

Because of the difficulty in determining the number of shares properly tendered, and not properly withdrawn, and because of the odd lot procedure and conditional tender provisions, we may be unable to announce the final proration factor or commence payment for any shares purchased pursuant to the Tender Offer for several days after the expiration date. The preliminary results of any proration will be announced by press release promptly after the expiration date. Stockholders may obtain preliminary proration information from the Information Agent and may be able to obtain this information from their brokers.

As described in Section 14, the number of shares that we will purchase from a stockholder under the Tender Offer may affect the U.S. federal income tax consequences to that stockholder and, therefore, may be relevant to that stockholder's decision whether or not to tender shares.

We will mail this Offer to Purchase and the Letter of Transmittal to record holders of shares and we will furnish this Offer to Purchase to brokers, dealers, commercial banks and trust companies whose names, or the names of whose nominees, appear on our stockholder list or, if applicable, that are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of shares.

2. Purpose of the Tender Offer.

We believe that the Tender Offer represents an efficient mechanism to return a portion of the proceeds from the Merger to our stockholders. The Tender Offer provides stockholders (particularly those who, because of the size of their shareholdings, might not be able to sell their shares without potential disruption to the trading of our common stock) with an opportunity to obtain liquidity with respect to all or a portion of their shares without potential disruption to the share price.

Furthermore, odd lot holders who hold shares registered in their names and tender their shares directly to the Depositary and whose shares are purchased pursuant to the Tender Offer will avoid not only the payment of brokerage commissions but also any applicable odd lot discounts that might be payable on sales of their shares in Over-the-Counter transactions.

Stockholders who do not tender their shares pursuant to the Tender Offer and stockholders who otherwise retain an equity interest in the Company as a result of a partial tender of shares, proration or a conditional tender for which the condition is not satisfied will

continue to be stockholders of the Company and will realize a proportionate increase in their relative equity interest in the Company and will bear the risks and rewards associated with owning the equity securities of the Company, including risks resulting from the Company's purchase of shares.

Our offer also presents some potential risks and disadvantages to us and our continuing stockholders. Our offer will reduce our "public float"; that is, the number of shares owned by outside stockholders and available for trading in the securities markets. This may result in lower stock prices or reduced liquidity in the trading market for our shares in the future. See Section 12.

Neither we, nor our Board of Directors, nor the Information Agent, nor the Depositary, makes any recommendation to any stockholder as to whether to tender or refrain from tendering any shares or as to the price or prices at which stockholders may choose to tender their shares. We have not authorized any person to make any recommendation. Stockholders should carefully evaluate all information in the Tender Offer, should consult their own investment and tax advisors, and should make their own decisions about whether to tender shares, and, if so, how many shares to tender and the price or prices at which to tender.

3. Procedures for Tendering Shares.

Proper Tender of Shares. For stockholders to properly tender shares pursuant to the Tender Offer, the Depositary must receive, at the Depositary's address set forth on the back cover page of this Offer to Purchase, share certificates (or confirmation of receipt of such shares under the procedure for book-entry transfer set forth below), together with a properly completed and duly executed Letter of Transmittal, including any required signature guarantees, or an "agent's message" in the case of a book-entry transfer and any other documents required by the Letter of Transmittal, before the Tender Offer expires.

If a broker, dealer, commercial bank, trust company or other nominee holds your shares, it is likely they have an earlier deadline for you to act to instruct them to accept the Tender Offer on your behalf. We urge you to contact your broker, dealer, commercial bank, trust company or other nominee to find out their applicable deadline.

In accordance with Instruction 5 of the Letter of Transmittal, stockholders desiring to tender shares in the Tender Offer must properly indicate the Purchase Price they will accept for their tendered shares by either (i) checking the box in the section captioned "Shares Tendered at Price Determined Pursuant to the Tender Offer" in the Letter of Transmittal, which means the stockholder is willing to accept the Purchase Price determined by us pursuant to the Tender Offer, or (ii) checking one, and only one, of the boxes in the section captioned "Shares Tendered at Price Determined by Stockholder" in the Letter of Transmittal indicating the price per share at which such stockholder's shares are being tendered.

If tendering stockholders wish to maximize the chance that we will purchase their shares, they should check the box in the section of the Letter of Transmittal captioned "Shares Tendered

at Price Determined Pursuant to the Tender Offer.” Note that this election could have the effect of decreasing the price at which we purchase tendered shares because shares tendered using this election will be available for purchase at the minimum price of \$0.84 per share and, as a result, it is possible that this election could result in us purchasing tendered shares at the minimum price of \$0.84 per share.

A stockholder who desires to tender shares at more than one price must complete a separate Letter of Transmittal for each price at which such stockholder tenders shares, provided that a stockholder may not tender the same shares (unless properly withdrawn previously in accordance with Section 4) at more than one price. To tender shares properly, stockholders must check one and only one price box in the appropriate section of each Letter of Transmittal. If you check more than one box or if you fail to check any box at all you will not have validly tendered your shares.

Odd lot holders who tender all of their shares must complete the section captioned “Odd Lots” in the Letter of Transmittal to qualify for the preferential treatment available to odd lot holders as set forth in Section 1.

We urge stockholders who hold shares through brokers or banks to consult the brokers or banks to determine whether transaction costs are applicable if they tender shares through the brokers or banks and not directly to the Depository.

Signature Guarantees. Except as otherwise provided below, all signatures on a Letter of Transmittal must be guaranteed by a financial institution (including most banks, savings and loans associations and brokerage houses) which is a participant in an acceptable medallion guarantee program. Signatures on a Letter of Transmittal need not be guaranteed if:

- the Letter of Transmittal is signed by the registered holder of the shares (which term, for purposes of this Section 3, shall include any participant in The Depository Trust Company, referred to as the “book-entry transfer facility,” whose name appears on a security position listing as the owner of the shares) tendered therewith and the holder has not completed either the box captioned “Special Delivery Instructions” or the box captioned “Special Payment Instructions” in the Letter of Transmittal; or
- shares are tendered for the account of a bank, broker, dealer, credit union, savings association or other entity which is a member in good standing of the Securities Transfer Agents Medallion Program or a bank, broker, dealer, credit union, savings association or other entity which is an “eligible guarantor institution,” as such term is defined in Rule 17Ad-15 under the Exchange Act. See Instruction 1 of the Letter of Transmittal.

If a share certificate is registered in the name of a person other than the person executing a Letter of Transmittal, or if payment is to be made to a person other than the registered holder, then the certificate must be endorsed or accompanied by an appropriate stock power, in either case signed exactly as the name of the registered holder appears on the certificate, with the signature guaranteed by an eligible guarantor institution.

We will make payment for shares tendered and accepted for payment under the Tender Offer only after the Depository timely receives share certificates or a timely confirmation of the book-entry transfer of the shares into the Depository's account at the book-entry transfer facility as described above, a properly completed and duly executed Letter of Transmittal, or an agent's message in the case of a book-entry transfer, and any other documents required by the Letter of Transmittal.

Method of Delivery. **The method of delivery of all documents, including share certificates, the Letter of Transmittal and any other required documents, is at the election and risk of the tendering stockholder. If you choose to deliver required documents by mail, we recommend that you use registered mail with return receipt requested, properly insured. In all cases, sufficient time should be allowed to ensure timely delivery.**

Shares may not be tendered in the Tender Offer by guaranteed delivery.

Book-Entry Delivery. The Depository will establish an account with respect to the shares for purposes of the Tender Offer at the book-entry transfer facility within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in the book-entry transfer facility's system may make book-entry delivery of the shares by causing the book-entry transfer facility to transfer shares into the Depository's account in accordance with the book-entry transfer facility's procedures for transfer. Although participants in the book-entry transfer facility may effect delivery of shares through a book-entry transfer into the Depository's account at the book-entry transfer facility, a properly completed and duly executed Letter of Transmittal, including any required signature guarantees, or an agent's message in the case of a book-entry transfer, and any other required documents must, in any case, be transmitted to and received by the Depository at its address set forth on the back cover page of this Offer to Purchase before the expiration date.

Delivery of the Letter of Transmittal and any other required documents to the book-entry transfer facility does not constitute delivery to the Depository.

The term "agent's message" means a message transmitted by the book-entry transfer facility to, and received by, the Depository, which states that the book-entry transfer facility has received an express acknowledgment from the participant in the book-entry transfer facility tendering the shares that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Company may enforce the agreement against the participant.

Information Reporting and Backup Withholding. Payments made to stockholders under the Tender Offer generally will be subject to information reporting and may be subject to backup withholding at the applicable rate (currently 28%). To avoid backup withholding, U.S. stockholders that do not otherwise establish an exemption should complete and return Internal Revenue Service ("IRS") Form W-9 included in the Letter of Transmittal, certifying that such stockholder is a U.S. person, the taxpayer identification number provided is correct, and that such stockholder is not subject to backup withholding. Foreign stockholders should submit an appropriate and properly completed IRS Form W-8, a copy of which may be obtained from the Depository, in order to avoid backup withholding. Such stockholders should consult a tax advisor to determine which IRS Form W-8 is appropriate.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a stockholder's U.S. federal income tax liability, provided the required information is timely furnished in the appropriate manner to the IRS.

For a discussion of U.S. federal income tax consequences to tendering stockholders, see Section 14.

Return of Unpurchased Shares. The Depositary will return certificates for unpurchased shares promptly after the expiration or termination of the Tender Offer or the proper withdrawal of the shares, as applicable, or, in the case of shares tendered by book-entry transfer at the book-entry transfer facility, the Depositary will credit the shares to the appropriate account maintained by the tendering stockholder at the book-entry transfer facility, in each case without expense to the stockholder.

Determination of Validity; Rejection of Shares; Waiver of Defects; No Obligation to Give Notice of Defects. We will determine, in our sole discretion, all questions as to the number of shares that we will accept, the price that we will pay for shares that we accept and the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of shares, and our determination will be final and binding on all parties. We reserve the absolute right to reject any or all tenders of any shares that we determine are not in proper form or the acceptance for payment of or payment for which we determine may be unlawful. We also reserve the absolute right to waive any defect or irregularity in any tender with respect to any particular shares or any particular stockholder, and our interpretation of the terms of the Tender Offer will be final and binding on all parties. No tender of shares will be deemed to have been properly made until the stockholder cures, or we waive, all defects or irregularities. Neither we, nor the Depositary, nor the Information Agent, nor any other person will be under any duty to give notification of any defects or irregularities in any tender or incur any liability for failure to give this notification.

Tendering Stockholder's Representation and Warranty; Acceptance Constitutes an Agreement. A tender of shares under any of the procedures described above will constitute the tendering stockholder's acceptance of the terms and conditions of the Tender Offer, as well as the tendering stockholder's representation and warranty to the Company that:

- the stockholder has a net long position in the shares or equivalent securities at least equal to the shares tendered within the meaning of Rule 14e-4 of the Exchange Act; and
- the tender of shares complies with Rule 14e-4.

It is a violation of Rule 14e-4 for a person, directly or indirectly, to tender shares for that person's own account unless, at the time of tender and at the end of the proration period or period during which shares are accepted by lot (including any extensions thereof), the person so tendering:

- has a net long position equal to or greater than the amount tendered in:

- the shares; or
- securities immediately convertible into, or exchangeable or exercisable for, the shares; and
- will deliver or cause to be delivered the shares in accordance with the terms of the Tender Offer.

Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person. Our acceptance for payment of shares tendered under the Tender Offer will constitute a binding agreement between the tendering stockholder and us upon the terms and conditions of the Tender Offer.

Lost or Destroyed Certificates. Stockholders whose share certificate for part or all of their shares has been lost, stolen, misplaced or destroyed must contact American Stock Transfer & Trust Company, the Depository for this Tender Offer, at (877) 248-6417, for instructions as to obtaining a replacement share certificate. That share certificate will then be required to be submitted together with the Letter of Transmittal in order to receive payment for shares that are tendered and accepted for payment. The stockholder may have to post a bond to secure against the risk that the share certificate may subsequently emerge. We urge stockholders to contact American Stock Transfer & Trust Company immediately in order to permit timely processing of this documentation.

Stockholders must deliver share certificates, together with a properly completed and duly executed Letter of Transmittal, including any signature guarantees, or an agent's message, and any other required documents to the Depository and not to the Company or the Information Agent. Neither the Company nor the Information Agent will forward any such documents to the Depository and delivery to the Company or the Information Agent will not constitute a proper tender of shares.

4. Withdrawal Rights.

Stockholders may withdraw shares tendered under the Tender Offer at any time prior to the expiration date and, unless accepted by us for payment after the expiration date, shares may also be withdrawn at any time after 12:00 Midnight, New York City time, on January 14, 2013.

For a withdrawal to be effective, the Depository must timely receive a written or facsimile transmission notice of withdrawal at the Depository's address set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the tendering stockholder, the number of shares that the stockholder wishes to withdraw and the name of the registered holder of the shares. If the share certificates to be withdrawn have been delivered or otherwise identified to the Depository, then, before the release of the share certificates, the serial numbers shown on the share certificates must be submitted to the Depository and the signature(s) on the notice of withdrawal must be guaranteed by an eligible guarantor institution, unless the shares have been tendered for the account of an eligible guarantor institution.

If a stockholder has tendered shares under the procedure for book-entry transfer set forth in Section 3, any notice of withdrawal also must specify the name and the number of the account at the book-entry transfer facility to be credited with the withdrawn shares and must otherwise comply with the book-entry transfer facility's procedures. We will determine all questions as to the form and validity (including the time of receipt) of any notice of withdrawal, in our sole discretion, and such determination will be final and binding. Neither we, nor the Depositary, nor the Information Agent, nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give this notification.

A stockholder may not rescind a withdrawal and we will deem any shares that a stockholder properly withdraws not properly tendered for purposes of the Tender Offer, unless the stockholder properly re-tenders the withdrawn shares before the expiration date by following one of the procedures described in Section 3.

If we extend the Tender Offer, are delayed in our purchase of shares or are unable to purchase shares under the Tender Offer for any reason, then, without prejudice to our rights under the Tender Offer, the Depositary may, subject to applicable law, retain tendered shares on our behalf, and stockholders may not withdraw these shares except to the extent tendering stockholders are entitled to withdrawal rights pursuant to applicable law and as described in this Section 4.

5. Purchase of Shares and Payment of Purchase Price.

Upon the terms and subject to the conditions of the Tender Offer, promptly following the expiration date, we:

- will determine the Purchase Price we will pay for shares properly tendered and not properly withdrawn before the expiration date, taking into account the number of shares so tendered and the prices specified by tendering stockholders; and
- will accept for payment, and thereby purchase, and pay for up to 30,000,000 shares (or such greater number of shares as we may elect to purchase, subject to applicable law) properly tendered at prices at or below the Purchase Price and not properly withdrawn prior to the expiration date.

For purposes of the Tender Offer, we will be deemed to have accepted for payment, and therefore purchased, shares that are properly tendered at or below the Purchase Price determined by us and not properly withdrawn, subject to the "odd lot," proration and conditional tender provisions of the Tender Offer, only when, as and if we give oral or written notice to the Depositary of our acceptance of the shares for payment pursuant to the Tender Offer.

Upon the terms and subject to the conditions of the Tender Offer, promptly after the expiration date, we will accept for payment and pay a single per share Purchase Price not greater than \$0.86 nor less than \$0.84 per share for 30,000,000 shares, subject to increase or decrease as provided in Section 15, if properly tendered and not properly withdrawn, or such fewer number of shares as are properly tendered and not properly withdrawn.

We will pay for shares that we purchase pursuant to the Tender Offer by depositing the aggregate Purchase Price for these shares with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payment from us and transmitting payment to the tendering stockholders.

In the event of proration, we will determine the proration factor and pay for those tendered shares accepted for payment promptly after the expiration date; however, we do not expect to be able to announce the final results of any proration and commence payment for shares purchased for several days after the expiration date. Accordingly, there can be no assurances as to when you will actually receive your payments. **Under no circumstances will we pay interest on the Purchase Price regardless of any delay in making the payment.** Shares tendered and not purchased, including all shares tendered at prices greater than the Purchase Price and shares that we do not accept for purchase due to proration or conditional tenders, will be returned to the tendering stockholder, or, in the case of shares tendered by book-entry transfer, will be credited to the account maintained with the book-entry transfer facility by the participant therein who so delivered the shares, at our expense, promptly after the expiration date or termination of the Tender Offer without expense to the tendering stockholders. If certain events occur, we may not be obligated to purchase shares pursuant to the Tender Offer. See Section 7. We will issue a press release announcing the price we will pay for shares tendered in the Tender Offer and any preliminary proration information promptly following the expiration date.

We will pay all stock transfer taxes, if any, payable on the transfer to us of shares purchased under the Tender Offer. If, however, payment of the Purchase Price is to be made to, or (in circumstances permitted by the Tender Offer) unpurchased shares are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person signing the Letter of Transmittal, the amount of all stock transfer taxes, if any (whether imposed on the registered holder or the other person), payable on account of the transfer to the person will be deducted from the Purchase Price unless satisfactory evidence of the payment of the stock transfer taxes, or exemption therefrom, is submitted to the Depository. See Instruction 10 of the Letter of Transmittal.

Any tendering stockholders or other payee who fails to complete fully, sign and return to the Depository the Form W-9 included with the Letter of Transmittal or the appropriate Form W-8 may be subject to U.S. federal income tax backup withholding on the gross proceeds paid to the stockholders or other payee under the Tender Offer. See Section 3.

6. Conditional Tender of Shares.

Subject to the exception for holders of odd lots, in the event of an over-subscription of the Tender Offer, shares tendered at or below the Purchase Price prior to the expiration date will be subject to proration. See Section 1. As discussed in Section 14, the number of shares to be purchased from a particular stockholder may affect the tax treatment of the purchase to the stockholder and the stockholder's decision whether to tender. Accordingly, a stockholder may tender shares subject to the condition that we must purchase a specified minimum number of the stockholder's shares tendered pursuant to a Letter of Transmittal if we purchase any shares tendered. Any stockholder desiring to make a conditional tender must so indicate in the box

entitled “Conditional Tender” in the Letter of Transmittal and indicate the minimum number of shares that we must purchase if we purchase any shares. We urge each stockholder to consult with his or her own financial or tax advisors.

After the expiration date, if more than 30,000,000 shares (or such greater number of shares as we may elect to purchase, subject to applicable law) are properly tendered and not properly withdrawn, so that we must prorate our acceptance of and payment for tendered shares, we will calculate a preliminary proration percentage based upon all shares properly tendered, conditionally or unconditionally. If the effect of this preliminary proration would be to reduce the number of shares that we purchase from any stockholder below the minimum number specified, the shares conditionally tendered by such stockholder will automatically be regarded as withdrawn (except as provided in the next paragraph). All shares tendered by a stockholder subject to a conditional tender that are withdrawn as a result of proration will be returned at our expense to the tendering stockholder.

After giving effect to these withdrawals, we will accept the remaining shares properly tendered, conditionally or unconditionally, on a *pro rata* basis, if necessary. If conditional tenders that would otherwise be regarded as withdrawn would cause the total number of shares that we purchase to fall below 30,000,000 (or such greater number of shares as we may elect to purchase, subject to applicable law) then, to the extent feasible, we will select enough of the shares conditionally tendered that would otherwise have been withdrawn to permit us to purchase such number of shares. In selecting among the conditional tenders, we will select by random lot, treating all tenders by a particular taxpayer as a single lot, and will limit our purchase in each case to the designated minimum number of shares to be purchased. To be eligible for purchase by random lot, stockholders whose shares are conditionally tendered must have tendered all of their shares.

7. Conditions of the Tender Offer.

The Tender Offer is not conditioned on any minimum number of shares being tendered. Notwithstanding any other provision of the Tender Offer, we will not be required to accept for payment, purchase or pay for any shares tendered, and may terminate or amend the Tender Offer or may postpone the acceptance for payment of, or the purchase of and the payment for shares tendered, if, at any time on or after the date hereof and before the expiration of the Tender Offer, any of the following events shall have occurred (or shall have been reasonably determined by us to have occurred) and, in our reasonable judgment and regardless of the circumstances giving rise to the event or events, such event or events make it inadvisable to proceed with the Tender Offer or with acceptance for payment:

- the Merger has not been approved by our common stockholders at the Special Meeting;
- the Merger has not been consummated for any other reason, including Optima’s failure to satisfy its financing condition;
- there shall have been instituted or be pending or we shall have received notice of any action or proceeding by any government or governmental, regulatory or

administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that:

- challenges the making of the Tender Offer, the acquisition of some or all of the shares under the Tender Offer or otherwise relates in any manner to the Tender Offer; or
- in our reasonable judgment, could materially and adversely affect the business, condition (financial or otherwise), assets, income, operations or prospects of us or any of our subsidiaries, taken as a whole, or otherwise materially impair in any way the conduct of our business or the business of any of our subsidiaries or materially impair our ability to achieve the purposes of the Tender Offer;
- there shall have been any action pending or taken or of which we shall have received notice, or approval withheld, or any statute, rule, regulation, judgment, order or injunction proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Tender Offer or us or any of our subsidiaries, by any court or any authority, agency or tribunal that, in our reasonable judgment, would:
 - make the acceptance for payment of, or payment for, some or all of the shares illegal or otherwise restrict or prohibit completion of the Tender Offer;
 - delay or restrict our ability, or render us unable, to accept for payment or pay for some or all of the shares;
 - materially impair our ability to achieve the purposes of the Tender Offer; or
 - materially and adversely affect our business, condition (financial or otherwise), assets, income, operations or prospects or those of our subsidiaries, taken as a whole, or otherwise materially impair the conduct of our business or the business of any of our subsidiaries;
- there shall have occurred:
 - any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market in the United States;
 - any decrease of more than 10% in the general level of market prices for equity securities in the Dow Jones Industrial Average, New York Stock Exchange Index, NASDAQ Composite Index or the Standard and Poor's 500 Composite Index measured from the close of trading on November 19, 2012;
 - the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States;
 - a material change in United States or any other currency exchange rates or a suspension of or limitation on the markets therefor;

- the commencement or escalation of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any of its territories, including but not limited to an act of terrorism;
- any limitation (whether or not mandatory) by any governmental, regulatory or administrative agency or authority on, or any event, or any disruption or adverse change in the financial or capital markets generally or the market for loan syndications in particular, that, in our reasonable judgment, would affect the extension of credit by banks or other lending institutions in the United States;
- any change in the general political, market, economic or financial conditions in the United States or abroad that could, in our reasonable judgment, have a material adverse effect on our business, condition (financial or otherwise), assets, income, operations or prospects or those of any of our subsidiaries, taken as a whole, or otherwise materially impair in any way the conduct of our business or the business of any of our subsidiaries;
- in the case of any of the foregoing existing at the time of the commencement of the Tender Offer, a material acceleration or worsening thereof; or
- a tender offer or exchange offer for any or all of the shares (other than this Tender Offer), or any merger, business combination or other similar transaction with or involving us or any of our subsidiaries or affiliates (other than the Merger), shall have been proposed, announced or made by any person;
- any of the following shall have occurred:
 - any “group” (as that term is used in Section 13(d)(3) of the Exchange Act) shall have been formed that shall own or have acquired or proposed to acquire, or any entity or individual shall have acquired or proposed to acquire, beneficial ownership of more than 5% of the outstanding shares of our common stock;
 - any person, entity or group shall have filed a Notification and Report Form under the HSR Act, as amended, or made a public announcement reflecting an intent to acquire us or any of our subsidiaries other than the Merger, or any of our or their respective assets or securities;
- any change or combination of changes shall have occurred, or as to which we have received notice, in our business, condition (financial or otherwise), assets, income, operations, prospects or stock ownership or that of any of our subsidiaries, taken as a whole, that in our judgment is reasonably likely to be material and adverse to us or any of our subsidiaries or that otherwise materially impairs the conduct of our business or the business of any of our subsidiaries;
- we shall have reasonably determined that the consummation of the Tender Offer and the purchase of the shares may jeopardize our NOLs or otherwise adversely affect our ability to utilize our NOLs; or

- we reasonably determine that any approval, permit, authorization, favorable review or consent of any governmental entity may be required in connection with the Tender Offer or the purchase of shares thereunder.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions, and may be waived by us, in whole or in part, at any time and from time to time, before the expiration of the Tender Offer, in our sole discretion. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of any of these rights, and each of these rights shall be deemed an ongoing right that may be asserted at any time and from time to time before the expiration of the Tender Offer. Any determination or judgment by us concerning the events described above will be final and binding on all parties.

8. Price Range of Shares; Dividends.

Our common stock is quoted on the Pink Sheets under the trading symbol “ALJJ.” The following table sets forth the high and low closing selling prices for our common stock for each of the quarterly periods presented.

Fiscal 2013 (Year ending September 30, 2013)

	<u>High</u>	<u>Low</u>
First Quarter (through November 19, 2012)	\$0.42	\$0.37

Fiscal 2012 (Year ending September 30, 2012)

	<u>High</u>	<u>Low</u>
First Quarter	\$0.52	\$0.35
Second Quarter	\$0.56	\$0.39
Third Quarter	\$0.55	\$0.45
Fourth Quarter	\$0.45	\$0.37

Fiscal 2011 (Year ending September 30, 2011)

	<u>High</u>	<u>Low</u>
First Quarter	\$0.33	\$0.26
Second Quarter	\$0.32	\$0.26
Third Quarter	\$0.53	\$0.36
Fourth Quarter	\$0.79	\$0.50

On November 19, 2012, the last reported sale price of our common stock on the Pink Sheets was \$0.42 per share. **We urge stockholders to obtain a current market quotation for the Shares before deciding whether and at what price or prices to tender their Shares.**

Dividends. We have never declared or paid cash dividends on our common stock and we do not anticipate paying a cash dividend in the foreseeable future.

Stockholders of Record. As of November 16, 2012, there were 209 stockholders of record of our common stock, as furnished by our stock transfer agent and registrar, American Stock Transfer & Trust Company. Several brokerage firms, banks and other institutions

(“nominees”) are listed on the stockholders of record listing. However, in most cases, the nominees’ holdings represent blocks of our stock held in brokerage accounts for a number of individual stockholders. As such, our actual number of stockholders is difficult to estimate with precision, but would be higher than the number of registered stockholders of record.

9. Source and Amount of Funds.

We intend to purchase 30,000,000 shares, subject to the terms and conditions as described herein. We anticipate that we will fund the purchase of the shares tendered in the Tender Offer through cash on hand and cash received in connection with the Merger. If the Tender Offer is fully subscribed at the maximum Purchase Price of \$0.86, we will purchase the tendered shares for a total of \$25,800,000, or approximately 50% of our expected cash following the closing of the Merger.

10. Certain Information Concerning the Company

The Company

The Company is a holding company, whose primary asset is an 83.26% share of the outstanding common stock and 100% of the voting securities of KES, the owner and operator of the Mill, which manufactures and sells steel bar flats.

ALJ has its principal offices at:

244 Madison Avenue, PMB 358
New York, NY 10016
Phone: (212) 883-0083
Fax: (606) 929-1261

The Company was originally incorporated in the State of Delaware under the name Nuparent, Inc. on June 22, 1999. The Company’s name was changed to YouthStream Media Networks, Inc. on June 24, 1999 and that name was used through October 23, 2006. The Company’s name was changed to ALJ Regional Holdings, Inc. on October 23, 2006.

The Company’s transfer agent is American Stock Transfer & Trust Company, LLC whose address and phone number are:

American Stock Transfer & Trust Company, LLC
Operations Center
6201 15th Avenue
Brooklyn, NY 11219
Phone: (718) 921-8293

KES

Our business is conducted through KES, our majority-owned subsidiary, which owns and operates the Mill. As a mini-mill producer of bar flats, KES recycles steel from scrap, a process designed to result in lower production costs than those of integrated steel mills, which produce

steel by processing iron ore and other raw materials in blast furnaces. Bar flats are produced to a variety of specifications and fall primarily into two general quality levels—merchant bar quality steel bar flats for generic types of applications, and special bar quality steel bar flats, where more precise customer specifications require the use of various alloys, customized equipment and special production procedures to ensure that the finished product meets critical end-use performance characteristics.

Our Annual Report for the year ended September 30, 2011; Quarterly Reports for the quarters ended June 30, 2012, March 31, 2012 and December 31, 2011; and proxy statement for the 2012 Annual Meeting have been included with the tender offer materials, are incorporated by reference in this Offer to Purchase, and are also available at www.pinksheets.com and www.aljregionalholdings.com.

A copy of the proxy statement will be available at www.pinksheets.com and www.aljregionalholdings.com and will be mailed to stockholders of record as of November 28, 2012 on or around November 30, 2012. The proxy statement contains unaudited pro forma consolidated balance sheets that present the financial position of the Company as of certain historical dates, each giving effect to the Merger as if it had occurred on those dates. The proxy statement also contains the unaudited pro forma consolidated statements of operations for the nine months ended June 30, 2012 and for the years ended September 30, 2010 and 2011 that give effect to the Merger as if it had occurred at the beginning of each such period.

Post-Closing Business and Investment of Proceeds from the Merger

If the Merger is approved by our stockholders and the Merger is consummated, we will have no or nominal operations. We intend to use the proceeds from the Merger, less any such proceeds used for the Tender Offer, to invest in or acquire control of one or more operating businesses through merger, capital stock exchange, stock purchase, asset acquisition or other similar investment, or for other strategic options. No specific acquisition targets have been designated at this time. Until we select and acquire another business, you will be unable to assess the merits or risks of the business in which we ultimately will operate. If the conditions to the Merger are not satisfied, including, without limitation our failure to obtain approval of the holders of a majority of our outstanding shares or Optima's failure to obtain financing, then either we or Optima may terminate the Merger Agreement and we would terminate the Tender Offer. Our Board of Directors, along with our management, will then reassess our options in light of our strategic goals and any alternatives that may be available to us.

Although it is our current intent to make such an investment or acquisition of control, there can be no guarantee that we will identify a suitable target within any particular time frame, or at all. Such a target company (or assets) might be in any industry.

11. Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares.

The following table sets forth, as of November 19, 2012, the beneficial ownership of our common stock with respect to (i) each person who was known by us to own beneficially more than 5% of the outstanding shares of ALJ Common Stock, (ii) each director, (iii) our executive

officers, and (iv) all directors and executive officers as a group. As of November 19, 2012, we had 57,067,498 shares (59,467,498 on a fully diluted basis) of ALJ Common Stock issued and outstanding, which was the only class of voting securities authorized or outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Executive Officers and Directors:		
Robert Scott Fritz, Director 711 Sycamore Avenue Tinton Falls, NJ 07701	1,185,099(2)	2.08%
Hal G. Byer, Director c/o Houlihan Lokey 10250 Constellation Blvd., 5 th Floor Los Angeles, CA 90067	516,028	*%
Jess M. Ravich, Chairman of the Board 149 S. Barrington Ave., #828 Los Angeles, CA 90049	13,154,569(3)	22.27%
John Scheel, Chief Executive Officer, President and Director c/o KES Acquisition Company P.O. Box 2119 Ashland, KY 41105	738,460	1.29%
Olimpio Lee Squitieri, Director c/o Squitieri & Fearon, LLP 32 East 57 th Street, 12 th Floor New York, NY 10022	1,305,510(4)	2.29%
T. Robert Christ, Chief Financial Officer P.O. Box 99418 San Diego, CA 92169	200,000(5)	*%
All current directors and officers as a group	17,099,666(6)	28.85%

5% Stockholders:

Joseph Corso, Jr. 167 Zock Road Cuddebackville, NY 12729	12,139,000(7)	21.27%
Palermo Ravich Foundation	4,044,834	7.09%

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
5700 Wilshire Blvd., Suite 2000 Los Angeles, CA 90036		

* Less than 1%

- (1) Consistent with the regulations of the U.S. Securities and Exchange Commission, shares of Common Stock issuable upon exercise of derivative securities by their terms exercisable within 60 days of November 19, 2012 are deemed outstanding for the purpose of computing the percentage ownership of the person holding such derivative securities but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated below, to the knowledge of the Company, the persons and entities named in this table have sole voting and sole investment power with respect to all shares beneficially owned, subject to community property laws where applicable.
- (2) Includes 431,088 shares held by The Ravich Children Permanent Trust, for which Mr. Fritz is the sole trustee.
- (3) Includes 5,288,751 shares held by Exemption Trust under Ravich Revocable Trust of 1989 and 5,844,632 shares held by Ravich Revocable Trust of 1989.
- (4) Includes 202,000 shares held in a custodial account for the benefit of Mr. Squitieri's daughter over which he has dispositive power. Mr. Squitieri disclaims beneficial ownership for these shares.
- (5) Includes 200,000 shares issuable upon exercise of currently vested options.
- (6) Includes 2,200,000 shares issuable upon exercise of currently vested options.
- (7) Based on information provided by Mr. Corso.

The directors and executive officers are entitled to participate in the Tender Offer on the same basis as all other stockholders, except that Mr. Ravich has agreed that he will not tender any of his shares. Mr. Corso has agreed to tender all of his shares.

Based on our records and information provided to us by our directors, executive officers, associates and subsidiaries, neither the Company, nor, to the best of the Company's knowledge, any directors or executive officers of the Company or any associates or subsidiaries of the Company, has effected any transactions in shares during the 60-day period prior to the date of this Offer to Purchase.

Stock Options of the Company

The Company determines the fair value of all stock-based compensation, including stock options and warrants, by using the Black-Scholes option-pricing model. Included in the selling, general and administrative expenses for the nine months ended June 30, 2012 and 2011, the Company recognized stock-based share compensation expense of \$18,273 and \$23,437,

respectively, related to the issuance of restricted stock in prior periods and \$0 and \$125,203, respectively, related to the issuance of stock options in a prior period.

All stock-based payments to employees are recognized in the financial statements as compensation expense based on the fair value on the date of grant. The Black-Scholes model requires input of certain assumptions, including volatility, expected term, risk-free interest rates, and dividend yield. For restricted stock grants issued during the twelve months ended September 30, 2011, the Company computed volatility of 106% and a risk-free interest rate of 0.15%. For restricted stock grants issued during the twelve months ended September 30, 2010, the Company computed volatility of 135% and a risk-free interest rate of 0.32%. Volatility was computed over the most recent period commensurate with the expected term of the options and restricted stock. The risk-free interest rate was based on the rate of U.S. Treasury securities with maturities consistent with the expected term of the options and restricted stock. The Company has not paid cash dividends on its common stock and does not anticipate paying a cash dividend in the foreseeable future and accordingly, uses an expected dividend yield of zero.

The summary of stock option activity for the nine months ending June 30, 2012 is as follows:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Contractual Term Remaining
Balance outstanding as of September 30, 2011	2,800,000	\$0.39	
Granted	0	\$0.00	
Exercised	(200,000)	\$0.23	
Forfeited	(200,000)	\$0.30	
Balance outstanding as of June 30, 2012	<u>2,400,000</u>	\$0.40	5.5 years
Options vested as of June 30, 2012	<u>2,400,000</u>	\$0.40	5.5 years

Support and Voting Agreements

On November 18, 2012, each of the members of ALJ’s board of directors entered into a Stockholder Support Agreement with Optima (the “Stockholder Support Agreement”), pursuant to which each director has agreed (solely in his capacity as a stockholder) to, among other things, vote all shares of capital stock of ALJ held by him (i) in favor of the adoption of the Merger Agreement, (ii) in favor of each of the other actions contemplated by the Merger Agreement, (iii) in favor of any action required in furtherance of effecting the Merger and (iv) against any alternative business combination transaction. The directors collectively beneficially own 14,266,578 shares of ALJ common stock (comprising 24.9% of the outstanding ALJ common stock), all of which are subject to the Stockholder Support Agreement. Additionally, Mr. Ravich is the holder of an option to acquire 2,000,000 shares of ALJ common stock and any such shares of ALJ common stock that Mr. Ravich acquires pursuant to such option are also subject to the Stockholder Support Agreement. The Stockholder Support Agreement terminates upon a termination of the Merger Agreement in accordance with its terms.

Joseph Corso, Jr., a holder of 21.27% of the issued and outstanding shares of the Company, has entered into an agreement with Jess Ravich and the Company to tender his shares in the Tender Offer and to vote in favor of the Merger (the “Voting and Tender Agreement”).

Pursuant to the Voting and Tender Agreement, Jess Ravich, ALJ's chairman and an owner of 19.5% of the issued and outstanding shares of the Company, has also entered into an agreement not to tender any of his shares in the Tender Offer. The Voting and Tender Agreement terminates upon, among other things, a change in recommendation of the Board of Directors of ALJ. Copies of the form of Stockholder Support Agreement and form of Voting and Tender Agreement are available on www.pinksheets.com and www.aljregionalholdings.com in the Current Report filed on November 19, 2012.

Except as otherwise described in this Offer to Purchase, none of the Company or any person controlling us or, to our knowledge, any of our directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to our offer or with respect to any of our securities, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

Director Compensation

The Board of Directors approved a director compensation program in 2008 providing for an annual payment on the date of the Company's annual stockholders meeting of \$12,500 in cash and \$12,500 in restricted common stock at the fair market value. On July 18, 2011, pursuant to the program, each member of the Board of Directors received a restricted stock grant of 21,186 shares of common stock at the fair market value of \$0.59 per share on that date. The restricted stock vests monthly over a twelve-month period. Vesting is contingent upon continued service on the Board of Directors. Directors may also be reimbursed for any out-of-pocket expenses they incur in the performance of their responsibilities. In 2012, the Board of Directors made a determination to pay the 2012 fees in cash. Therefore, each director received \$25,000 in cash in connection with the 2012 annual meeting held on July 27, 2012.

Interests of Our Directors and Executive Officers in the Merger

Some of our directors and executive officers may have personal interests in the Merger that are, or may be, different from, or in addition to, the interests of other stockholders of the Company. For more information, please refer to the section in the proxy statement related to the Special Meeting titled "Proposal No. 1—The Merger and the Merger Agreement—Interests of Our Directors and Executive Officers in the Merger."

12. Effects of the Tender Offer on the Market for Shares.

The purchase by the Company of shares pursuant to the Tender Offer may reduce the number of shares of common stock that might otherwise be traded publicly and may reduce the number of stockholders. These reductions may reduce the volume of trading in our shares of common stock and may result in lower stock prices and reduced liquidity in the trading of our shares of common stock following completion of the Tender Offer. Stockholders may be able to sell non-tendered shares of common stock in the future, at a net price higher or lower than the

Purchase Price in the Tender Offer. We can give no assurance, however, as to the price at which a stockholder may be able to sell such shares in the future.

If the Tender Offer is fully subscribed, we would purchase 30,000,000 shares, which would represent approximately 50% of the issued and outstanding shares of our common stock as of November 19, 2012. If the Tender Offer is fully subscribed at the maximum Purchase Price of \$0.86, we will purchase the tendered shares for a total of \$25,800,000, or approximately 50% of our expected cash following the closing of the Merger.

As of November 19, 2012, the Company had issued and outstanding 57,067,498 shares and 2,400,000 shares reserved for issuance upon exercise of outstanding stock options.

Purchased shares will be authorized and unissued, available for us to issue without further stockholder action.

13. Legal Matters; Regulatory Approvals.

We are not aware of any license or regulatory permit material to our business that might be adversely affected by our acquisition of shares as contemplated by the Tender Offer or of any approval or other action by any government or governmental, administrative or regulatory authority or agency, domestic, foreign or supranational, that would be required for the acquisition of shares by us as contemplated by the Tender Offer. Should any approval or other action be required, we presently contemplate that we will seek that approval or other action. We are unable to predict whether we will be required to delay the acceptance for payment of or payment for shares tendered under the Tender Offer pending the outcome of any such matter. There can be no assurance that any approval or other action, if needed, would be obtained or would be obtained without substantial cost or conditions or that the failure to obtain the approval or other action might not result in adverse consequences to our business and financial condition. Our obligations under the Tender Offer to accept for payment and pay for shares are subject to conditions. See Section 7.

The Merger is subject to regulatory approvals, including under the Hart-Scott-Rodino Antitrust Improvement Act of 1976. For more information, please refer to the section in the proxy statement related to the Special Meeting titled “Proposal No. 1—The Merger and the Merger Agreement—Regulatory Matters.”

14. U.S. Federal Income Tax Consequences.

The following is a discussion of certain U.S. federal income tax consequences of participating in the Tender Offer for U.S. Holders and Non-U.S. Holders (each as defined below). This summary is based upon the Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury Regulations issued thereunder, IRS rulings and pronouncements, and judicial decisions, all as of the date hereof and all of which are subject to differing interpretations or changes which could affect the tax consequences described herein (possibly on a retroactive basis). No IRS ruling has been or will be sought regarding any matter discussed herein.

This discussion is for general information only and does not address alternative minimum tax consequences or all of the aspects of U.S. federal income taxation that may be relevant to a

particular stockholder or to stockholders subject to special rules (including, without limitation, financial institutions, brokers, dealers or traders in securities or commodities, traders who elect to apply a mark-to-market method of accounting, insurance companies, S corporations, partnerships or other pass-through entities or their members or partners, controlled foreign corporations, passive foreign investment companies, U.S. expatriates, tax-exempt organizations, tax-qualified retirement plans, persons who hold shares as a position in a “straddle” or as part of a “hedging,” “conversion” or “integrated” transaction or other risk reduction strategy, directors, employees, former employees or other persons who acquired their shares as compensation, including upon the exercise of employee stock options, and persons that have a functional currency other than the U.S. dollar). In particular, this summary does not address any tax consequences arising from the sale of shares acquired pursuant to an employee stock purchase plan or other employee benefit plan. This summary also does not address tax considerations arising under any state, local or foreign laws, or under U.S. federal estate or gift tax laws. This summary assumes that stockholders hold the shares as “capital assets” within the meaning of Section 1221 of the Code (generally, property held for investment).

As used herein, a “U.S. Holder” means a beneficial holder of Shares that is for U.S. federal income tax purposes: (i) an individual citizen or resident of the U.S., (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., any state thereof or the District of Columbia, or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

As used herein, the term “Non-U.S. Holder” means a beneficial owner of shares other than a U.S. Holder.

This summary is for general information only and is not intended to constitute a complete description of all tax consequences relating to the Tender Offer. Each stockholder is urged to consult its tax advisor as to the particular U.S. federal income tax consequences to such stockholder of participating or not participating in the Tender Offer and the applicability and effect of any state, local and foreign tax laws and other tax consequences with respect to the Tender Offer.

Non-Participation in the Tender Offer. Stockholders who do not participate in the Tender Offer will not incur any tax liability as a result of the Tender Offer.

U.S. Holders. An exchange of shares for cash pursuant to the Tender Offer will be a taxable transaction for U.S. federal income tax purposes. A U.S. Holder who participates in the Tender Offer will be treated, depending on such U.S. Holder’s particular circumstances, either as recognizing gain or loss from the disposition of the shares or as receiving a dividend distribution from us.

Under Section 302 of the Code, a U.S. Holder will recognize gain or loss on an exchange of Shares for cash if the exchange (i) results in a “complete termination” of all such U.S. Holder’s equity interest in us, (ii) results in a “substantially disproportionate” redemption with respect to such U.S. Holder, or (iii) is “not essentially equivalent to a dividend” with respect to the U.S. Holder (together, as described below, the “Section 302 Tests”). In applying the Section

302 Tests, a U.S. Holder must take account of stock that such U.S. Holder constructively owns under attribution rules set forth in Section 318 of the Code, pursuant to which the U.S. Holder will be treated as owning our shares owned by certain family members (except that in the case of a “complete termination” a U.S. Holder may waive, under certain circumstances, attribution from family members) and related entities and our stock that the U.S. Holder has the right to acquire by exercise of an option. An exchange of shares for cash pursuant to the Tender Offer will be a “complete termination” of a U.S. Holder’s equity interest in us if the U.S. Holder owns none of our shares either actually or constructively (taking into account any effective waivers of attribution from family members) immediately after the exchange. An exchange of shares for cash will be a substantially disproportionate redemption with respect to a U.S. Holder if (a) the percentage of the then outstanding shares owned by such U.S. Holder in us immediately after the exchange is less than 80% of the percentage of the shares owned by such U.S. Holder in us immediately before the exchange, (b) the percentage of the then outstanding voting stock owned by such U.S. Holder in us immediately after the exchange is less than 80% of the percentage of the voting stock owned by such U.S. Holder in us immediately before the exchange, and (c) the U.S. Holder owns less than 50% of our outstanding voting stock immediately after the exchange. If an exchange of shares for cash fails to satisfy either the “complete termination” or “substantially disproportionate” test, the U.S. Holder nonetheless may satisfy the “not essentially equivalent to a dividend” test. An exchange of shares for cash will satisfy the “not essentially equivalent to a dividend” test if it results in a “meaningful reduction” of the U.S. Holder’s equity interest in us. An exchange of shares for cash that results in a reduction of the proportionate equity interest in us of a U.S. Holder whose relative equity interest in us is minimal and who does not exercise any control over or participate in the management of our corporate affairs should be treated as “not essentially equivalent to a dividend.” U.S. Holders should consult their tax advisors regarding the application of the rules of Section 302 in their particular circumstances.

If a U.S. Holder is treated as recognizing gain or loss from the disposition of the shares for cash, such gain or loss will be equal to the difference between the amount of cash received and such U.S. Holder’s adjusted basis in the shares exchanged therefor. Any such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period of the shares exceeds one year as of the date of the exchange. The maximum U.S. federal income tax rate applicable to long-term capital gains is currently 15%. Statutory limitations apply to the ability of a U.S. Holder to make use of capital losses.

If a U.S. Holder is not treated under the Section 302 Tests as recognizing gain or loss on an exchange of shares for cash, the entire amount of cash received by such U.S. Holder pursuant to the exchange will be treated as a dividend to the extent of the portion of our current and accumulated earnings and profits allocable to such shares. Provided certain holding period requirements are satisfied, non-corporate holders generally will be subject to U.S. federal income tax at a maximum rate of 15% on amounts treated as dividends, *i.e.*, the entire amount of cash received without reduction for the tax basis of the shares exchanged. To the extent that cash received in exchange for shares is treated as a dividend to a corporate U.S. Holder, (i) it will be eligible for a dividends-received deduction (subject to applicable limitations) and (ii) it will be subject to the “extraordinary dividend” provisions of the Code. U.S. Holders should consult their tax advisors concerning the rules discussed in this paragraph in light of their particular circumstances.

To the extent that amounts received pursuant to the Tender Offer exceed a U.S. Holder's allocable share of our current and accumulated earnings and profits, the distribution will first be treated as a non-taxable return of capital, causing a reduction in the adjusted basis of such U.S. Holder's shares, and any amounts in excess of the U.S. Holder's adjusted basis will constitute capital gain. Any remaining adjusted basis in the shares tendered will be transferred to any remaining shares held by such U.S. Holder.

We cannot predict whether or the extent to which the Tender Offer will be oversubscribed or whether we will reduce the number of shares being sought in the Tender Offer. If the Tender Offer is oversubscribed or if we reduce the number of shares being sought in the Tender Offer, proration of tenders pursuant to the Tender Offer could cause us to accept fewer shares than are tendered. Therefore, a U.S. Holder can be given no assurance that a sufficient number of such U.S. Holder's shares will be purchased pursuant to the Tender Offer to ensure that such purchase will be treated as a sale or exchange, rather than as a dividend, for U.S. federal income tax purposes pursuant to the rules discussed above.

See Section 3 with respect to the application of federal income tax withholding and backup withholding.

There can be no assurance that U.S. Holders who are cash-basis taxpayers and who actually receive payment for their shares after December 31, 2012 will be treated as having constructively received payment in 2012 for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisors as to which tax rates apply to their payments. In the case of individuals and trusts, for taxable years beginning after December 31, 2012, the maximum federal income tax rate on long term capital gains is scheduled to increase from 15% to 20% and the maximum rate on ordinary income is scheduled to increase to 39.6% from 35%, unless other legislation is enacted which could provide for different tax rates. The current maximum corporate income tax rate is 35% which is not scheduled to change. However, no assurance can be given as to what rates will apply to any taxpayers for taxable years beginning after December 31, 2012.

Non-U.S. Holders. The Depository will withhold U.S. federal income taxes equal to 30% of the gross payments payable to a Non-U.S. Holder or his or her agent unless the Depository determines that a reduced rate of withholding is available pursuant to a tax treaty or that an exemption from withholding is applicable because such gross proceeds are effectively connected with the conduct of a trade or business within the U.S. In order to obtain an exemption from withholding on the grounds that the gross proceeds paid pursuant to the Tender Offer are effectively connected with the conduct of a trade or business within the U.S., a Non-U.S. Holder must deliver to the Depository a properly completed and executed IRS Form W-8ECI. The Depository will determine a holder's status as a Non-U.S. Holder and eligibility for a reduced rate of, or exemption from, withholding by reference to any outstanding certificates or statements concerning eligibility for a reduced rate of, or exemption from, withholding (e.g. IRS Forms W-8BEN or W-8ECI) unless facts and circumstances indicate that such reliance is not warranted. A Non-U.S. Holder may be eligible to obtain a refund of all or a portion of any tax withheld if such Non-U.S. Holder meets one of the Section 302 Tests described above or is otherwise able to establish that no tax or a reduced amount of tax is due. Backup withholding generally will not apply to amounts subject to the 30% or a treaty-reduced rate of withholding. Non-U.S. Holders

are urged to consult their own tax advisors regarding the application of U.S. federal income tax withholding, including eligibility for a withholding tax reduction or exemption, and the refund procedure. See Section 3 with respect to the application of federal income tax withholding and backup withholding.

We urge stockholders to consult their tax advisors to determine the particular tax consequences to them of the Tender Offer, including the applicability and effect of state, local and foreign tax laws.

15. Extension of the Tender Offer; Termination; Amendment.

We expressly reserve the right, in our sole discretion, at any time and from time to time, and regardless of whether or not any of the events set forth in Section 7 shall have occurred or shall be deemed by us to have occurred, to extend the period of time during which the Tender Offer is open and thereby delay acceptance for payment of, and payment for, any shares by giving oral or written notice of the extension to the Depositary and making a public announcement of the extension. We also expressly reserve the right, in our sole discretion, to terminate the Tender Offer and not accept for payment or pay for any shares not theretofore accepted for payment or paid for or, subject to applicable law, to postpone payment for shares upon the occurrence of any of the conditions specified in Section 7 by giving oral or written notice of termination or postponement to the Depositary and making a public announcement of the termination or postponement. Our reservation of the right to delay payment for shares that we have accepted for payment is limited by Rule 13e-4(f)(5) promulgated under the Exchange Act, which requires that we must pay the consideration offered or return the shares tendered promptly after termination or withdrawal of a Tender Offer. Subject to compliance with applicable law, we further reserve the right, in our sole discretion, and regardless of whether any of the events set forth in Section 7 shall have occurred or shall be deemed by us to have occurred, to amend the Tender Offer in any respect, including, without limitation, by decreasing or increasing the consideration offered in the Tender Offer to holders of shares or by decreasing or increasing the number of shares being sought in the Tender Offer, including, without limitation, if we determine, in our sole and absolute discretion, that it is necessary to do so in order to preserve our ability to use our NOLs to offset federal income taxes in the future. Amendments to the Tender Offer may be made at any time and from time to time effected by public announcement, the announcement, in the case of an extension, to be issued no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled or announced expiration date. Any public announcement made under the Tender Offer will be disseminated promptly to stockholders in a manner reasonably designed to inform stockholders of the change. Without limiting the manner in which we may choose to make a public announcement, except as required by applicable law, we shall have no obligation to publish, advertise or otherwise communicate any public announcement other than by making a release through PR Newswire.

If we materially change the terms of the Tender Offer or the information concerning the Tender Offer, we will, if practicable, extend the Tender Offer to the extent required by Rules 13e-4(d)(2), 13e-4(e)(3) and 13e-4(f)(1) promulgated under the Exchange Act. These rules and certain related releases and interpretations of the Securities and Exchange Commission, which do not apply to the Tender Offer because our common stock is not registered under the Exchange Act, provide that the minimum period during which a Tender Offer must remain open following material changes in the terms of the Tender Offer or information concerning the Tender Offer

(other than a change in price or a change in percentage of securities sought) will depend on the facts and circumstances, including the relative materiality of the terms or information.

If we (1) increase or decrease the price to be paid for shares or (2) increase or decrease the percentage of shares being sought in the Tender Offer, other than (i) an increase of up to 2% of the outstanding shares of our common stock or (ii) a decrease necessary to preserve our NOLs, then the Tender Offer must remain open for ten business days from and including the date that the notice of any such increase or decrease is first published, sent or given to security holders in accordance with this Section 15. For the purposes of the Tender Offer, a “business day” means any day other than a Saturday, Sunday or U.S. federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

16. Fees and Expenses.

We have retained AST Phoenix Advisors to act as Information Agent and American Stock Transfer & Trust Company to act as Depositary in connection with the Tender Offer. The Information Agent may contact holders of shares by mail, telephone and in person, and may request brokers, dealers, commercial banks, trust companies and other nominee stockholders to forward materials relating to the Tender Offer to beneficial owners. The Information Agent and the Depositary each will receive reasonable and customary compensation for their respective services, will be reimbursed by us for specified reasonable out-of-pocket expenses, and will be indemnified against certain liabilities in connection with the Tender Offer, including certain liabilities under the U.S. federal securities laws.

No fees or commissions will be payable by the Company to brokers, dealers, commercial banks or trust companies (other than fees to the Information Agent and the Depositary, as described above) for soliciting tenders of shares under the Tender Offer. We urge stockholders holding shares through brokers or banks to consult the brokers or banks to determine whether transaction costs are applicable if stockholders tender shares through such brokers or banks and not directly to the Depositary. We, however, upon request, will reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling expenses incurred by them in forwarding the Tender Offer and related materials to the beneficial owners of shares held by them as a nominee or in a fiduciary capacity. No broker, dealer, commercial bank or trust company has been authorized to act as the agent of the Company, the Information Agent, the Depositary or the trustee for the Company’s employee plans for purposes of the Tender Offer. We will pay or cause to be paid all stock transfer taxes, if any, on our purchase of shares, except as otherwise provided in this document and Instruction 10 in the Letter of Transmittal.

17. Miscellaneous.

We are not aware of any jurisdiction where the making of the Tender Offer is not in compliance with applicable law. If we become aware of any jurisdiction where the making of the Tender Offer or the acceptance of shares pursuant thereto is not in compliance with applicable law, we will make a good faith effort to comply with the applicable law. If, after such good faith effort, we cannot comply with the applicable law, we will not make the Tender Offer to (nor will tenders be accepted from or on behalf of) the holders of shares in that jurisdiction.

We have not authorized any person to make any recommendation on behalf of us as to whether you should tender or refrain from tendering your shares in the Tender Offer. We have not authorized any person to give any information or to make any representation in connection with the Tender Offer other than those contained in this Offer to Purchase or in the Letter of Transmittal. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by us.

November 19, 2012

The Letter of Transmittal and share certificates and any other required documents should be sent or delivered by each stockholder or that stockholder's broker, dealer, commercial bank, trust company or nominee to the Depository at one of its addresses set forth below.

The Depository for the Tender Offer is:



American Stock Transfer & Trust Company, LLC

By Mail:

American Stock Transfer & Trust Company, LLC
Operations Center
Attn: Reorganization Department
P.O. Box 2042
New York, New York 10272-2042

By Hand or Overnight Courier:

American Stock Transfer & Trust Company, LLC
Operations Center
Attn: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219

By Facsimile Transmission (for eligible institutions only):

American Stock Transfer & Trust Company, LLC

Facsimile: (718) 234-5001

Confirm By Telephone: (877) 248-6417

Please direct any questions or requests for assistance to the Information Agent at their telephone number and address set forth below. Please direct requests for additional copies of this Offer to Purchase or the Letter of Transmittal to the Information Agent at its telephone number and address set forth below. Stockholders also may contact their broker, dealer, commercial bank, trust company or nominee for assistance concerning the Tender Offer. Please contact the Depository to confirm delivery of shares.

The Information Agent for the Tender Offer is:

AST PHOENIX ADVISORS

110 Wall Street, 27th Floor

New York, NY 10005

Banks and brokers call (212) 493-3910

All others call toll free (877) 478-5038