

**Offer to Purchase for Cash
Up to 10,000,000 Shares of
ALJ Regional Holdings, Inc.
Common Stock at a Purchase Price
Not Greater Than \$2.00 Nor
Less Than \$1.84 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 29, 2022, UNLESS THE COMPANY EXTENDS THE TENDER OFFER.

ALJ Regional Holdings, Inc., a Delaware corporation (referred to herein as “we,” “us,” “ALJ” or the “Company”), is offering to purchase for cash up to 10,000,000 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 \$2.00 nor less than \$1.84 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less applicable withholding taxes and without interest, that we will pay for shares properly tendered and not properly withdrawn in the Tender Offer, taking into account the total number of shares so tendered and the prices specified by the tendering stockholders.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 increments of \$0.01) that will allow us to purchase 10,000,000 shares, or such lesser number of shares as are properly tendered and not properly withdrawn, at prices not greater than \$2.00 nor less than \$1.84 per share.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purchase at the Purchase Price all shares properly tendered at a price at or below the Purchase Price and not properly withdrawn, on the terms and subject to the conditions of the Tender Offer, including the odd lot, conditional tender and proration provisions.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 10,000,000 shares in the Tender Offer, subject to applicable law. 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. See Section 1. 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.

THE TENDER OFFER IS NOT CONDITIONED UPON ANY MINIMUM NUMBER OF SHARES BEING TENDERED. THE TENDER OFFER IS, HOWEVER, SUBJECT TO OTHER CONDITIONS PROVIDED HEREIN. SEE 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:
Okapi Partners LLC
Banks and brokers call (212) 297-0720
All others call toll free (888) 785-6709

Offer to Purchase dated December 1, 2022.

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 Depository 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® Open Market over-the-counter market quotation system maintained by the OTC Markets Group Inc. (the “Pink Sheets”), under the symbol “ALJJ” and is labeled as “Pink Current Information.” We publicly announced the Tender Offer on December 1, 2022, after the close of trading on that date. On November 29, 2022, the last reported sale price of our common stock on the Pink Sheets was \$1.66 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 Okapi Partners LLC, 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.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY TERM SHEET	1
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS.....	5
INTRODUCTION.....	6
RISKS YOU SHOULD TAKE INTO ACCOUNT IN DECIDING WHETHER TO TENDER YOUR SHARES.....	8
THE TENDER OFFER	10
1. Number of Shares; Proration.....	10
2. Purpose of the Tender Offer.....	12
3. Procedures for Tendering Shares.....	13
4. Withdrawal Rights.....	16
5. Purchase of Shares and Payment of Purchase Price	16
6. Conditional Tender of Shares.....	17
7. Conditions of the Tender Offer	18
8. Price Range of Shares; Dividends	19
9. Source and Amount of Funds.....	20
10. Certain Information Concerning the Company	20
Interests of Directors and Executive Officers; Transactions and Arrangements Concerning Shares.....	25
12. Effects of the Tender Offer on the Market for Shares	26
13. Legal Matters; Regulatory Approvals	27
14. U.S. Federal Income Tax Consequences.....	27
15. Extension of the Tender Offer; Termination; Amendment	31
16. Fees and Expenses.....	32
17. Miscellaneous.....	32

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 this 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) \$2.00 and \$1.84 per share at which, based on the number of shares tendered and the prices specified by the tendering stockholders, we can purchase 10,000,000 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 \$2.00 nor less than \$1.84 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 accept for purchase because of proration provisions or conditional tenders. See Section 1.

How many shares will the Company purchase?

We will purchase up to 10,000,000 shares of common stock 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 10,000,000 shares, which would represent approximately 27.6% of the issued and outstanding shares of our common stock as of November 28, 2022. If the Tender Offer is fully subscribed at the maximum Purchase Price of \$2.00, we will purchase the tendered shares for a total of \$20 million.

In addition, if more than 10,000,000 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.

What will happen if more than 10,000,000 shares are tendered at or below the Purchase Price?

If more than 10,000,000 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 our cash on hand. See Section 9.

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 29, 2022, 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 last previously scheduled or announced 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.otcmarkets.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 cash held by the Company 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 since our delisting from the NASDAQ Stock Market, with respect to all or a portion of their shares, without potential disruption to the share price. Additionally, by selecting the Purchase Price to be not greater than \$2.00 nor less than \$1.84 per share. 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:

- 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 29, 2022, 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;
- 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 29, 2022, 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 20, 2023. 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. If our directors and officers do not tender any shares in the Tender Offer, the proportional holdings of our directors and officers will increase. Additionally, subject to applicable law, our directors and officers may subsequently sell their shares in open market transactions at prices that may or may not be more favorable than the purchase price we will pay shareholders who tender shares in the Tender Offer. See Section 11.

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?

We currently intend to continue to provide information to our stockholders and to take such actions within our control to enable our common stock to be quoted on the Pink Sheets. There is no guarantee, however, that a broker will continue to make a market in our common stock and that trading of our common stock will continue on

the Pink Sheets or otherwise or that we will continue to provide information sufficient to enable brokers to provide quotes for our common stock.

What is the recent market price for the shares?

We publicly announced the Tender Offer on December 1, 2022, after the close of trading on that date. On November 29, 2022, the last reported sale price of our common stock on the Pink Sheets was \$1.66 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 Depository, 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, if you are a U.S. Holder (as defined in Section 14), 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. If you are a Non-U.S. Holder (as defined in Section 14), because it is unclear whether the cash you receive in connection with the Tender Offer will be treated (i) as proceeds of a sale or exchange or (ii) as a distribution, the Depository or other applicable withholding agent may treat such payment as a dividend distribution for withholding purposes. Accordingly, if you are a Non-U.S. Holder, you may be subject to withholding on payments to you at a rate of 30% of the gross proceeds paid, unless you establish an entitlement to a reduced rate of withholding by timely completing, under penalties of perjury, the applicable Internal Revenue Service (“IRS”) Form W-8. See Section 14 for a more detailed discussion of the tax treatment of the Tender Offer. We urge you to consult your own tax advisor as to the particular tax consequences to you of the Tender Offer. See Section 14 for a more detailed discussion of the tax treatment of the Tender Offer.

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

If you instruct the Depository 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 Okapi Partners LLC. Their contact information is (212) 297-0720 (for banks and brokers) and (888) 785-6709 (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, the Tender Offer, our post-closing business strategy and our ability to fund our operations, service indebtedness and improve operating efficiencies, 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:

- 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;
- diversion of management’s attention from ongoing business concerns;
- the effect of the announcement of the Tender Offer on our business relationships, operating results and business generally;
- the amount of the costs, fees, expenses and charges related to the Tender Offer;
- any statements regarding our expectations for future performance;
- our ability to identify, consummate, and integrate business acquisitions;
- our ability to compete effectively;
- statements regarding future revenue and the potential concentration of such revenue coming from a limited number of customers;
- our ability to meet customer needs;
- regulatory compliance costs;
- the potential adverse impact of the novel coronavirus disease (“COVID-19”) pandemic on our business, operations and the markets and communities in which we and our customers, vendors and employees operate;
- our ability to manage ongoing supply chain disruptions and constraints due primarily to the restriction of employee movements, key material and labor shortages, and transportation constraints;
- our ability to improve margins and profitability on contracts we enter into;
- our ability to raise capital in the future;
- changes in regulation and the regulatory environment;
- 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; and
- the other matters described or incorporated by reference elsewhere in this Offer to Purchase.

The Company is also subject to general business risks, including adverse state, federal or foreign legislation and regulation, changes in general economic conditions, 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 10,000,000 shares of our common stock at a price not greater than \$2.00 nor less than \$1.84 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 29, 2022, 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 increments of \$0.01) that will allow us to buy 10,000,000 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. See Section 1. 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.

We reserve the right, in our sole discretion, to purchase more or less than 10,000,000 shares pursuant to the Tender Offer, subject to certain limitations and legal requirements. See Section 1.

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 Depository 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 10,000,000 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 10,000,000 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.

Holders 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 28, 2022, we had issued and outstanding 36,289,293 shares of common stock. If the Tender Offer is fully subscribed, we would purchase 10,000,000 shares, which would represent approximately 27.6% of the issued and outstanding shares of the Company’s common stock as of November 28, 2022.

Our common stock is quoted on the Pink Sheets under the symbol “ALJJ.” See Section 8. We publicly announced the Tender Offer on December 1, 2022, after the close of trading on that date. On November 29, 2022, the last reported sale price of our common stock on the Pink Sheets was \$1.66 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, 2021 and the Quarterly Reports, available at www.sec.gov and www.aljregionalholdings.com. See Item 10. 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. Should the Tender Offer be fully subscribed, and Mr. Ravich, our Chief Executive Officer and Chairman of the Board, does not tender any shares in the Tender Offer, Mr. Ravich and his affiliates would hold 56.2% of the issued and outstanding shares remaining in the Company. Subject to the Voting Agreement entered into by and between Mr. Ravich and the Company, 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.

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

We have delisted our common stock from the NASDAQ Stock Market on September 12, 2022. Although we may apply again to list our common stock on NASDAQ, the New York 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 New York Stock Exchange or another major exchange, an investor may have difficulty in disposing our common stock or obtaining accurate quotations as to the market value of our common stock. Although we currently intend to continue to provide information to our stockholders and to take such actions within our control to enable our common stock to be quoted on the Pink Sheets, there is no guarantee that a broker-dealer will continue to make a market in our common stock and that trading of our common stock will continue on the Pink Sheets. 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.

The selected unaudited pro forma financial information included in this Offer to Purchase may not be indicative of what our actual results of operations would have been had the Sale Transactions, the Vistio Reorganization and the Ranew's Acquisition (as defined below) occurred on the dates indicated therein.

The selected unaudited pro forma financial information included in this Offer to Purchase is presented for illustrative purposes only and is not necessarily indicative of what our actual results of operations would have been had the Sale Transactions, the Vistio Reorganization and the Ranew's Acquisition been completed on the dates indicated therein. Accordingly, such unaudited pro forma financial statements may not be indicative of our future operating or financial performance and our actual financial condition and results of operations may vary materially from our pro forma results of operations and balance sheet contained elsewhere in this Offer to Purchase. See Section 10.

THE TENDER OFFER

1. Number of Shares; Proration.

General. Upon the terms and subject to the conditions of the Tender Offer, we will purchase 10,000,000 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 29, 2022, at a price not greater than \$2.00 nor less than \$1.84 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 29, 2022, 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.

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 \$2.00 per share or decrease the price to be paid for shares below \$1.84 per share,
- 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,
- decrease the number of shares being sought, or
- 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 \$2.00 nor less than \$1.84 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 \$1.84 or as high as \$2.00. 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 \$1.84 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 \$1.84 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 \$2.00 nor less than \$1.84 per share, net to the seller in cash, less applicable withholding taxes and without interest, that will enable us to purchase 10,000,000 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 for purchase 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 10,000,000 shares, 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 10,000,000 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 10,000,000 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 cash held by the Company to our stockholders. The Tender Offer provides our 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 since our delisting from the NASDAQ Stock Market, 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 Depository must receive, at the Depository'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 \$1.84 per share and, as a result, it is possible that this election could result in us purchasing tendered shares at the minimum price of \$1.84 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. All deliveries made in connection with the Tender Offer, including the Letter of Transmittal and share certificates, must be made to the Depository and not to us, the Information Agent or the book-entry transfer facility. Any documents delivered to us, the Information Agent or the book-entry transfer facility will not be forwarded to the Depository and therefore will not be deemed to be properly tendered.

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 24%). To avoid backup withholding, U.S. stockholders that do not otherwise establish an exemption should complete and return 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 Depository 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 Depository 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 Depository, 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, LLC, the Depository for this Tender Offer, at 6201 15th Avenue, Brooklyn, NY 11219, 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 the Depository immediately in order to permit timely processing of this documentation.

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 20, 2023.

For a withdrawal to be effective, the Depositary must timely receive a written or facsimile transmission notice of withdrawal at the Depositary'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 Depositary, then, before the release of the share certificates, the serial numbers shown on the share certificates must be submitted to the Depositary 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 10,000,000 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 \$2.00 nor less than \$1.84 per share for 10,000,000 shares, 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 10,000,000 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 10,000,000 (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:

- 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 December 1, 2022;
 - 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, 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, 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 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 was quoted on the NASDAQ Stock Market until September 12, 2022 under the trading symbol “ALJJ.” Following September 12, 2022, 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 2023 (Year ending September 30, 2023)

	High	Low
First Quarter (through November 29, 2022).....	\$1.89	\$1.62

Fiscal 2022 (Year ending September 30, 2022)

	High	Low
First Quarter	\$1.91	\$0.99
Second Quarter.....	\$2.67	\$1.68
Third Quarter.....	\$2.62	\$2.02
Fourth Quarter.....	\$2.17	\$1.47

Fiscal 2021 (Year ending September 30, 2021)

	High	Low
First Quarter	\$1.23	\$0.79
Second Quarter.....	\$2.03	\$1.13
Third Quarter.....	\$1.84	\$1.30
Fourth Quarter.....	\$1.69	\$1.05

On November 29, 2022, the last reported sale price of our common stock on the Pink Sheets was \$1.66 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 28, 2022, there were 114 stockholders of record of our common stock, as furnished by our stock transfer agent and registrar, American Stock Transfer & Trust Company, LLC. 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 up to 10,000,000 shares of our common stock. However, we reserve the right, in our sole discretion, to purchase additional shares in the Tender Offer, subject to the terms and conditions as described herein and applicable law. We anticipate that we will fund the purchase of the shares tendered in the Tender Offer through cash on hand.

10. Certain Information Concerning the Company.

The Company

The Company is a holding company. During the fiscal year ended September 30, 2022, ALJ consisted of the following subsidiaries:

- Faneuil, Inc. (including its subsidiaries, “Faneuil”). Prior to Faneuil Asset Sale, Faneuil was a leading provider of call center services, back-office operations, staffing services, and toll collection services to government and regulated commercial clients across the United States, focusing on the healthcare, utility, transportation, and toll revenue collection industries. Faneuil is headquartered in Hampton, Virginia. ALJ acquired Faneuil in October 2013. On April 1, 2022, ALJ completed the sale of Faneuil’s tolling and transportation and health benefit exchange verticals (the “Faneuil Asset Sale”). See Note 1 of our unaudited historical financial statements for the fiscal year ended September 30, 2022 (“2022 Financial Statements”) included elsewhere in this Offer to Purchase.

- Realtime Digital Innovations, LLC (d/b/a Vistio) (“Vistio”). On July 31, 2019, Faneuil acquired Vistio, a business solutions provider focusing on intelligence augmentation, process innovation and user experience. Vistio uses next-best-action guidance and automation to help agents confidently provide quick and accurate resolution to customer inquiries, simplifying the agent’s job and reducing the guesswork and stress of handling customer calls. In connection with the Faneuil Asset Sale, the Company reorganized Vistio to be a direct, wholly-owned subsidiary of the Company (the “Vistio Reorganization”).

- Phoenix Color Corp. (including its subsidiaries, “Phoenix”). Prior to Phoenix Sale, Phoenix was a leading manufacturer of book components, educational materials and related products producing value-added components, heavily illustrated books and commercial specialty products using a broad spectrum of materials and decorative technologies. Phoenix is headquartered in Hagerstown, Maryland. ALJ acquired Phoenix in August 2015. On April 13, 2022, ALJ completed its sale of Phoenix (the “Phoenix Sale”). See Note 1 of our 2022 Financial Statements.

- Qualified Opportunity Zone Investment. As a result of the capital gains generated by the Faneuil Asset Sale and the Phoenix Sale, the Company invested \$20 million in a newly formed Qualified Opportunity Zone investment entity on September 26, 2022 for the purpose of investing such funds in a Qualified Opportunity Zone (an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment) business by June 30, 2023. As a result of investing in a Qualified Opportunity Zone, the Company may have the ability to defer the recognition of related capital gains.

With several members of senior management and our Board of Directors coming from long careers in the professional service industry, ALJ is focused on acquiring and operating exceptional businesses.

ALJ is reported as corporate overhead. For description of each business segments, see Note 1 of our 2022 Financial Statements.

ALJ has its principal offices at:

244 Madison Avenue, PMB 358
New York, NY 10016
Phone: (888) 486-7775

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

Recent Developments

Ranew’s Companies

On September 28, 2022, Resin Acquisition Corp., an 80.01% subsidiary of the Company acquired the equity interests of Ranew’s Truck & Equipment Company, LLC, Ranew’s Outdoor Equipment, Inc., Ranew’s Management Company, Inc., Ranew’s Well Services Division, LLC, Ranew’s Companies, LLC and Ranew’s of Texas, Incorporated (collectively, “Ranew’s Companies,” and such acquisition, the “Ranew’s Acquisition”). Ranew’s Companies, headquartered in Milner, Georgia, are leading suppliers of industrial coating services to multinational

manufacturers of equipment and a provider of precision fabrication and assembly and logistics services. See Note 1 of our 2022 Financial Statements.

Hallador Energy Company

On August 12, 2022, the Company purchased an unsecured convertible promissory note (the “Note”) from Hallador Energy Company (NASDAQ: HNRG) (“Hallador”) for a principal sum of \$10 million. The Note bears interest at 8% per annum paid, at Hallador’s discretion, in cash or in shares of Hallador common stock at the lower of 30-day volume weighted average price (“VWAP”) or \$6.15 (the trailing VWAP on closing). The principal balance and all accrued and unpaid interest are required to be paid on the Note’s maturity date of December 31, 2026, and no prepayments are permitted. The Note also contains a right to convert the principal and accrued interest amounts outstanding on the Note (in whole and not in part) into shares of Hallador common stock at a fixed conversion price of \$6.15 (the trailing VWAP on closing). In connection with the foregoing, the Company and Hallador have entered into a registration rights agreement which provides the Company with customary shelf, demand and piggyback registration rights with respect to shares of Hallador common stock issuable upon conversion of the Note.

Caprice Capital Partners, LLC

On June 20, 2022, the Company entered into a subscription agreement with Caprice Capital Partners, LLC (“Caprice”) in the amount of \$5 million. Caprice is a private investment firm focused on providing debt and minority equity investments in small and lower-middle-market companies based in the United States.

A-Mark Precious Metals, Inc.

In September 2022, the Company purchased 350,000 shares of common stock of A-Mark Precious Metals, Inc. (NASDAQ: AMRK) (“A-Mark”). A-Mark is a fully integrated precious metals platform that offers an array of gold, silver, platinum, palladium, and copper bullion, numismatic coins, and related products to wholesale and retail customers via a portfolio of channels.

Recent Repurchase Transactions.

We have repurchased 6,161,133 shares of our common stock in the months of July, August, September and October 2022 in unsolicited privately negotiated transactions. The purchase prices for these repurchases included 3,748,500 shares in July at an average price of \$2.00 per share, 130,000 shares in August at an average price of \$1.84 per share, 1,384,031 shares in September at an average price of \$1.93 per share and 898,602 shares in October at an average price of \$1.93 per share.

Selected Unaudited Pro Forma Financial Information.

The Company is providing the following unaudited pro forma financial information to aid the stockholders in the analysis of the financial aspects of the Phoenix Sale and Faneuil Asset Sale (together, the “Sale Transactions”), the Vistio Reorganization and the Ranew’s Acquisition on the Company’s financial information for the fiscal year ending September 30, 2022. The following unaudited pro forma financial information for the fiscal year ending September 30, 2022 gives effect to the Sale Transactions as if they closed on September 30, 2021, the last day of the prior fiscal year, and the Vistio Reorganization and Ranew’s Acquisition as if they closed on October 1, 2021, the beginning of the pro forma period presented for Faneuil, Vistio and the Ranew’s Companies.

The pro forma information has been prepared for illustrative purposes only and is not intended to represent or be indicative of the consolidated results of operations that actually would have been achieved had the Sale Transactions, the Vistio Reorganization and the Ranew’s Acquisition been completed prior to, or at the beginning of (as applicable), the pro forma period presented. Further, these unaudited pro forma financial statements are not necessarily indicative of the Company’s future financial position and future results of operations. The pro forma information should be read in conjunction with the historical financial statements of the Company included in its 2022 Financial Statements included elsewhere in this Offer to Purchase.

	Year Ended September 30, 2022					
	Faneuil	Vistio	Ranew’s Companies	Corporate	Eliminations	Pro Forma
Net revenue	\$ 103,131,439	\$ 3,343,386	\$ 60,798,143	\$ —	\$ (2,184,372) (1)	\$ 165,088,596
Costs, expenses, and other:						
Cost of revenue	92,984,776	2,672,528	38,933,275	—	(2,184,372) (2)	132,406,206
Selling, general, and administrative expense	36,033,028	2,503,084	21,171,717	6,347,874	—	66,055,703
Lease impairment	2,157,686	—	—	—	—	2,157,686
Loss on disposal of assets and other	26,251	—	48,278	—	—	74,529
Total operating costs, expenses, and other, net	131,201,741	5,175,612	60,153,269	6,347,874	(2,184,372)	200,694,123
Operating (loss) income	(28,070,302)	(1,832,226)	644,874	(6,347,874)	—	(35,605,528)
Other (expense) income, net:						
Interest and dividend income and other	—	—	55,784	1,043,010	—	1,098,794
Interest expense	(504,046)	—	(224,949)	—	—	(728,996)
Total other income, net	(504,046)	—	(169,165)	1,043,010	—	369,799
(Loss) income before income taxes	(28,574,349)	(1,832,226)	475,709	(5,304,864)	—	(35,235,729)
Provision for income taxes	(1,885)	—	(24,071)	(38,571)	—	(64,527)
Net (loss) income	(28,576,234)	(1,832,226)	451,638	(5,343,435)	—	(35,300,256)
Less: Net income attributable to noncontrolling interests	—	—	90,282	—	—	90,282
Net (loss) income attributable to ALJ	\$ (28,576,234)	\$ (1,832,226)	\$ 361,356	\$ (5,343,435)	\$ —	\$ (35,390,538)
Loss per share of common stock – basic and diluted						\$ (0.95)
Weighted average shares of common stock outstanding – basic and diluted						37,187,895

(1) - To back out intercompany revenue recorded by Vistio.

(2) - To back out intercompany cost of revenue recorded by Faneuil.

Incorporation by Reference

The following documents previously filed with the SEC contain important information about us and we incorporate them by reference to this Offer to Purchase:

- Our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, filed with the SEC on December 20, 2021;
- Our Quarterly Reports on Form 10-Q filed with the SEC on February 11, 2022, May 16, 2022 and August 11, 2022 (the “Quarterly Reports”);
- Our Current Reports on Form 8-K filed with the SEC on August 22, 2022, June 16, 2022, April 18, 2022, April 14, 2022, April 4, 2022, April 1, 2022 and December 23, 2021; and
- Our Proxy Statement on Schedule 14A filed with the SEC on July 15, 2022.

Any statement contained in any document incorporated by reference into this Offer to Purchase shall be deemed to be modified or superseded to the extent that an inconsistent statement is made in this Offer to Purchase. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offer to Purchase. You can obtain any of the documents incorporated by reference above from our website at www.aljregionalholdings.com or from the SEC’s website at <https://www.sec.gov>.

We additionally incorporate by reference the unaudited financial statements and notes thereto included in our 2022 Financial Statements included elsewhere in this Offer to Purchase.

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

The following table sets forth, as of November 28, 2022, 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 our common stock, (ii) each director, (iii) our executive officers, and (iv) all directors and executive officers as a group. As of November 28, 2022, we had 36,289,293 shares of our 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
Jess M. Ravich, Chief Executive Officer and Chairman of the Board	24,265,254 ⁽²⁾	53.0%
John Scheel, Director and Vice Chairman of the Board	983,458	2.7%
Robert Scott Fritz, Director	953,780 ⁽³⁾	2.6%
Hal G. Byer, Director	53,940 ⁽⁴⁾	*
Rae G. Ravich, Director	85,419	*
Jeffrey Wiens, Chief Financial Officer	3,333 ⁽⁵⁾	*
All Directors and Executive Officers as a Group	26,345,184	57.2%
5% Stockholders:		
Elizabeth Glazer 2012 Trust c/o William Montgomery 825 West End Ave. 15C New York, NY 10025	4,679,458 ⁽⁶⁾	11.9%

* 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 28, 2022 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 4,853,804 shares held by the Exemption Trust under the Ravich Revocable Trust of 1989, 1,315,927 shares of common stock issuable upon exercise of currently vested warrants, and 8,170,116 shares of common stock issuable upon the conversion of a convertible promissory note.
- (3) Includes 431,088 shares and 294,611 shares of common stock issuable upon exercise of currently vested warrants held by The Ravich Children Permanent Trust, for which Mr. Fritz is the sole trustee. Mr. Fritz disclaims all economic ownership of such shares.
- (4) Includes 10,014 restricted shares held by the Hal G. Byer and Marihelene Byer Revocable Trust.
- (5) Includes 3,333 shares of common stock issuable upon exercise of currently vested options.
- (6) Based solely on the Form 4 filed by William Montgomery with the Securities and Exchange Commission on September 8, 2022. Includes 20,000 shares held by William Montgomery 2012 Trust and 466,171 shares and 2,989,067 shares of common stock issuable upon the conversion of a convertible promissory note held by the Elizabeth Glazer 2012 Trust, which William Montgomery may be deemed to beneficially own as a trustee and beneficiary of the Elizabeth Glazer 2012 Trust.

The directors and executive officers are entitled to participate in the Tender Offer on the same basis as all other stockholders.

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.

Equity Compensation Plan of the Company

On July 11, 2016, ALJ shareholders approved ALJ's Omnibus Equity Incentive Plan (the "2016 Plan"), which allows ALJ and its subsidiaries to grant securities of ALJ to officers, employees, directors or consultants. ALJ believes that equity-based compensation is fundamental to attracting, motivating and retaining highly qualified dedicated employees who have the skills and experience required to achieve business goals. Further, ALJ believes the 2016 Plan aligns the compensation of directors, officers, and employees with shareholder interest.

The 2016 Plan is administered by the Board of Directors. The maximum aggregate number of common stock shares that may be granted under the 2016 Plan is 2,000,000. The 2016 Plan generally provides for the grant of qualified or nonqualified stock options, restricted stock and restricted stock units, unrestricted stock, stock appreciation rights, performance awards and other awards. The Board of Directors has full discretion to set the vesting criteria. The exercise price of a stock option may not be less than 100% of the fair market value of ALJ's common stock on the date of grant. The 2016 Plan prohibits the repricing of outstanding stock options without prior shareholder approval. The term of stock options granted under the 2016 Plan may not exceed ten years. Awards are subject to accelerated vesting upon a change in control in the event the acquiring company does not assume the awards. The Board of Directors may amend, alter, or discontinue the 2016 Plan, but shall obtain shareholder approval of any amendment as required by applicable law or stock exchange listing requirements. As of September 30, 2022, there were 1.2 million options available for future grant under the 2016 Plan. See Note 12 of our 2022 Financial Statements.

The following table sets forth certain information concerning shares of our common stock authorized for issuance under the 2016 Plan as of September 30, 2022:

	Number of Options		Weighted- Average Exercise Price
Outstanding on September 30, 2021	1,425,000	\$	3.45
Exercised	(15,000)		0.88
Forfeited or expired	(860,000)		4.05
Granted	200,000		1.10
Outstanding on September 30, 2022	750,000		2.20
Vested or Expected to Vest on September 30, 2022	750,000	\$	2.20

Director Compensation

Effective as of July 15, 2022, the Board of Directors approved a non-employee director representation package comprised of (i) an annual retainer of \$30,000 in cash, payable quarterly in arrears, and (ii) an additional annual payment of \$18,000 in cash, payable quarterly in arrears, for directors providing oversight and supervisory services over certain of the Company's investments.

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 10,000,000 shares, which would represent approximately 27.6% of the issued and outstanding shares of our common stock as of November 28, 2022. If the

Tender Offer is fully subscribed at the maximum Purchase Price of \$2.00, we will purchase the tendered shares for a total of \$20 million.

As of November 28, 2022, the Company had issued and outstanding 36,289,293 shares and 1,235,000 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.

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 United States, (ii) a corporation (or any other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source or (iv) a trust, if (A) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or, (B) it has in effect a valid election under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used herein, the term “Non-U.S. Holder” means a beneficial owner of shares that is neither a U.S. Holder nor a partnership (including any entity treated as a partnership for U.S. federal income tax purposes).

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. A partnership holding shares, and each partner in such partnership, is urged to consult its tax advisor regarding the tax consequences of participating in the Tender Offer.

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. The Tender Offer will generally have no U.S. federal income tax consequences to stockholders who do not participate in the Tender Offer.

Consequences of the Tender Offer to U.S. Holders.

Characterization of the Purchase – Distribution vs. Sale Treatment. 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 the percentage of the then-outstanding shares owned by such U.S. Holder in the Company immediately after the exchange (and other exchanges made pursuant to the Tender Offer) is less than 80% of the percentage of the shares owned (directly and by attribution) by such U.S. Holder in the Company immediately before the exchange (and other exchanges made pursuant to the Tender Offer). 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. Whether a redemption will result in a "meaningful reduction" in a U.S. Holder's proportionate interest in us will depend on such U.S. Holder's particular facts and circumstances. However, the IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a minority stockholder in a publicly held corporation who does not exercise any control over or participate in the Company's management should generally be treated as a "meaningful reduction" and therefore "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.

We cannot predict whether any particular U.S. Holder will be subject to sale or exchange treatment, on the one hand, or distribution treatment, on the other hand. Contemporaneous dispositions or acquisitions of Shares (pursuant to the Tender Offer or otherwise, including market sales and purchases) by a U.S. Holder or related individuals or entities may be deemed to be part of a single integrated transaction and may be taken into account in determining whether the Section 302 Tests have been satisfied. Each U.S. Holder should be aware that because proration may occur in the Tender Offer, even if all the shares actually and constructively owned by a U.S. Holder are tendered pursuant to the Tender Offer, fewer than all of such shares may be purchased by us. Consequently, we cannot assure you that a sufficient number of any particular U.S. Holder's shares will be purchased to ensure that this purchase will be treated as a sale or exchange, rather than as a distribution, for U.S. federal income tax purposes pursuant to the rules discussed herein. Accordingly, a tendering U.S. Holder may choose to submit a "conditional tender" under the

procedures described in Section 6, which allows the U.S. Holder to tender shares subject to the condition that a specified minimum number of the U.S. Holder's shares must be purchased by us if any such shares so tendered are purchased.

Sale or Exchange Treatment. If a U.S. Holder is treated under the Section 302 Tests as recognizing gain or loss from the "sale or exchange" of the shares for cash, such gain or loss will be equal to the difference, if any, between the amount of cash received and such U.S. Holder's tax basis in the shares exchanged therefor. Generally, a U.S. Holder's tax basis in the shares will be equal to the cost of the shares to the U.S. Holder reduced by any previous returns of capital. Any 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. Long-term capital gain is subject to a reduced rate of tax for non-corporate U.S. Holders (including individuals). The deductibility of capital losses is subject to limitations. A U.S. Holder must calculate gain or loss separately for each block of shares (generally, shares acquired at the same cost in a single transaction). A U.S. Holder may be able to designate which blocks of shares it wishes to tender and the order in which different blocks will be purchased in the event that less than all of its shares are tendered.

Distribution Treatment. 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 distribution by the us with respect to the U.S. Holder's shares. The distribution will be treated as a dividend to the extent of our current and accumulated earnings and profits allocable to such shares. Such a dividend would be includible in income without reduction for the U.S. Holder's tax basis in the shares exchanged. With certain exceptions (including, but not limited to, dividends treated as investment income for purposes of investment interest deduction limitations), and provided certain holding period requirements are met, dividends paid to a non-corporate U.S. Holder generally will constitute "qualified dividends" that will be subject to tax at the maximum tax rate accorded to long-term capital gains. To the extent that cash received in exchange for shares is treated as a dividend to a corporate U.S. Holder, (i) it generally will be eligible for a dividends-received deduction (subject to certain holding period, at risk and other requirements and limitations) and (ii) it generally may be subject to the "extraordinary dividend" provisions of the Code (which could cause a reduction in the tax basis of such U.S. Holder's shares and cause such U.S. Holder to recognize capital gain). Corporate U.S. Holders are urged to consult their tax advisors concerning the availability of the dividends-received deduction and the application of the "extraordinary dividend" provisions of the Code in 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.

Consequences of the Tender Offer to Non-U.S. Holders.

Sale or Exchange Treatment. Gain realized by a Non-U.S. Holder on a sale of shares for cash pursuant to the Tender Offer generally will not be subject to U.S. federal income tax if the sale is treated as a "sale or exchange" under the Section 302 Tests described above under unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment in the United States to which such gain is attributable);
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- our shares constitute "United States real property interests" by reason of our status as a United States real property holding corporation ("USRPHC") for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding the disposition or the Non-U.S. Holder's holding period for our Shares.

A Non-U.S. Holder described in the first bullet point above will be required to pay U.S. federal income tax on the net gain derived from the disposition generally in the same manner as if such Non-U.S. Holder were a U.S. Holder, and, if such Non-U.S. Holder is a corporation, an additional branch profits tax at a 30% rate (or a lower rate if so specified by an applicable income tax treaty) may apply to any effectively connected earnings and profits.

A Non-U.S. Holder described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or, if applicable, a lower treaty rate) on the gain derived from the disposition, which may be offset by certain U.S. source capital losses, even though the Non-U.S. Holder is not considered a resident of the United States.

With respect to the third bullet point above, capital gain recognized by such holder will be subject to tax at generally applicable U.S. federal income tax rates. We believe that we are not currently a USRPHC. However, because the determination of whether we are a “United States real property holding corporation” depends on the fair market value of our United States real property interests relative to the fair market value of our global real property interests and other business assets, there can be no assurance that we do not currently constitute or will not become a “United States real property holding corporation.” Non-U.S. holders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Tender Offer.

Distribution Treatment. If a Non-U.S. Holder is not treated under the Section 302 Tests as recognizing gain or loss on a “sale or exchange” of shares for cash, the entire amount of cash received by such Non-U.S. Holder pursuant to the Tender Offer (including any amount withheld, as discussed below) will be treated as a distribution by us with respect to the Non-U.S. Holder’s shares. The treatment for U.S. federal income tax purposes of such distribution as a dividend, tax-free return of capital, or gain from the sale or exchange of shares will be determined in the manner described above under “Consequences of the Tender Offer to U.S. Holders - Distribution Treatment.” Except as described in the following paragraphs, to the extent that amounts received by the Non-U.S. Holder are treated as dividends, such dividends will be subject to U.S. federal withholding tax at a rate of 30% (or a lower rate specified in an applicable income tax treaty). To obtain a reduced rate of withholding under an income tax treaty, a Non-U.S. Holder must provide a properly executed IRS Form W-8BEN or W-8BEN-E certifying, under penalties of perjury, that the Non-U.S. Holder is a non-U.S. person and the dividends are subject to a reduced rate of withholding under an applicable income tax treaty. Non-U.S. Holders are urged to consult their tax advisors regarding their entitlement to, and the procedure for obtaining, benefits under an applicable income tax treaty.

Amounts treated as dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States are not subject to U.S. federal withholding tax but instead, unless an applicable tax treaty provides otherwise, generally are subject to U.S. federal income tax in the manner applicable to U.S. Holders, as described above. To claim exemption from U.S. federal withholding tax with respect to dividends that are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States, the Non-U.S. Holder must comply with applicable certification and disclosure requirements by providing a properly executed IRS Form W-8ECI certifying, under penalties of perjury, that the Non-U.S. Holder is a non-U.S. person and the dividends are effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States and includible in that holder’s gross income. In addition, a Non-U.S. Holder that is a corporation may be subject to a branch profits tax at a 30% rate (or a lower rate if so specified by an applicable income tax treaty), on dividends effectively connected with the conduct of a trade or business within the United States, subject to certain adjustments.

Withholding for Non-U.S. Holders. Because, as described above, it is unclear whether the cash received by a Non-U.S. Holder in connection with the Tender Offer will be treated (i) as proceeds of a sale or exchange or (ii) as a distribution, the Depository or other applicable withholding agent may treat such payment as a dividend distribution for withholding purposes. Accordingly, payments to Non-U.S. Holders may be subject to withholding at a rate of 30% of the gross proceeds paid, unless the Non-U.S. Holder establishes an entitlement to a reduced rate of withholding by timely completing, under penalties of perjury, the applicable IRS Form W-8 as discussed above. To the extent Non-U.S. Holders tender shares held in a U.S. brokerage account or otherwise through a U.S. broker, dealer, commercial bank, trust company, or other nominee, such Non-U.S. Holders are urged to consult such U.S. broker or other nominee and their tax advisors to determine the particular withholding procedures that will be applicable to them.

A Non-U.S. Holder may be eligible to obtain a fund of all or a portion of any U.S. federal tax withheld if such stockholder meets the “complete termination,” “substantially disproportionate” or “not essentially equivalent to a dividend” tests described above under “Consequences of the Offer to U.S. Holders - Characterization of the Purchase - Distribution vs. Sale Treatment” or if the stockholder is entitled to a reduced rate of withholding pursuant to any applicable income tax treaty and a higher rate was withheld.

Non-U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of participation in the Tender Offer, including the application of U.S. federal income tax

withholding rules, eligibility for a reduction of or an exemption from withholding tax, and the refund procedure, as well as the applicability and effect of state, local, foreign and other tax laws and treaties.

Information Reporting and Backup Withholding. Payments made to stockholders in the Tender Offer may be reported to the IRS. In addition, under the U.S. federal income tax laws, backup withholding at the statutory rate (currently 24%) may apply to the amount paid to certain stockholders (who are not “exempt” recipients) pursuant to the Tender Offer. To prevent such backup U.S. federal income tax withholding, each non-corporate stockholder who is a U.S. Holder and who does not otherwise establish an exemption from backup withholding must notify the Depository or other applicable withholding agent of the stockholder’s taxpayer identification number (employer identification number or social security number) and provide certain other information by completing, under penalties of perjury, an IRS Form W-9, a copy of which is included in the Letter of Transmittal.

Certain “exempt” recipients (including, among others, generally all corporations and certain Non-U.S. Holders) are not subject to these backup withholding requirements. For a Non-U.S. Holder to qualify for such exemption, such Non-U.S. Holder must submit a statement (generally, an IRS Form W-8BEN or W-8BEN-E or other applicable Form W-8), signed under penalties of perjury, attesting to such Non-U.S. Holder’s exempt status. A copy of the appropriate IRS Form W-8 may be obtained from the Depository or from the IRS website (www.irs.gov).

Backup withholding is not an additional tax. Taxpayers may use amounts withheld as a credit against their U.S. federal income tax liability or may claim a refund of such amounts if they timely provide certain required information to the IRS.

FATCA. Under Sections 1471 through 1474 of the Code, commonly referred to as “FATCA,” and related administrative guidance, a U.S. federal withholding tax of 30% generally will be imposed on dividends that are paid to “foreign financial institutions” (which is broadly defined for this purpose and in general includes investment vehicles) and certain other foreign entities unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been met, or an exemption applies (typically certified as to by the delivery of a properly completed IRS W-8BEN-E). Because, as discussed above, the Depository or other applicable withholding agent may treat amounts paid to Non-U.S. Holders in the Tender Offer as dividends for U.S. federal income tax purposes, such amounts may also be subject to withholding under FATCA if such requirements are not met. In such case, any withholding under FATCA may be credited against, and therefore reduce, any 30% withholding tax on dividend distributions as discussed above. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules. Non-U.S. Holders are urged to consult their tax advisors regarding the possible implications of these rules on their disposition of Shares pursuant to the Offer.

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 Depository 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 Depository 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. 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, 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 Okapi Partners LLC to act as Information Agent and American Stock Transfer & Trust Company, LLC 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.

December 1, 2022

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, 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:



1212 Avenue of the Americas, 17th Floor
New York, NY 10036

Banks, Brokers, and International Shareholders may call: +1 212-297-0720
Shareholders may call toll-free (from the U.S. and Canada): 888-785-6709
Email: info@okapipartners.com

ALJ REGIONAL HOLDINGS, INC.
Financial Statements (Unaudited)
For the Year Ended September 30, 2022

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	<u>Page Number</u>
<u>Consolidated Balance Sheets</u>	F-2
<u>Consolidated Statements of Operations</u>	F-3
<u>Consolidated Statements of Cash Flows</u>	F-4
<u>Consolidated Statements of Stockholders' Equity</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-7

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except par value)

	September 30,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,729	\$ 2,276
Marketable investments	59,878	—
Accounts receivable, net of allowance for doubtful accounts of \$621 and \$— on September 30, 2022 and 2021	31,246	57,660
Inventories	3,507	—
Prepaid expenses and other current assets	7,976	8,852
Current assets of discontinued operations	—	20,608
Total current assets	119,336	89,396
Property and equipment, net	26,153	22,864
Goodwill	14,580	—
Operating lease right-of-use assets	40,386	29,048
Intangible assets, net	9,338	11,906
Collateral deposits	3,821	487
Other assets	35,572	792
Long-term assets of discontinued operations	—	60,160
Total assets	\$ 249,186	\$ 214,653
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 7,320	\$ 11,255
Accrued expenses	21,358	20,815
Income taxes payable	—	38
Deferred revenue and customer deposits	655	4,053
Term loans, net of deferred loan costs - current installments	—	2,692
Finance lease obligations - current installments	332	765
Operating lease obligations - current installments	3,619	4,722
Current portion of workers' compensation reserve	900	710
Other current liabilities	3,679	3,686
Current liabilities of discontinued operations	—	10,192
Total current liabilities	37,863	58,928
Line of credit, net of deferred loan costs	3,000	5,490
Term loans, less current portion, net of deferred loan costs	6,026	93,484
Deferred revenue, less current portion	—	369
Workers' compensation reserve, less current portion	1,392	1,749
Finance lease obligations, less current installments	—	332
Operating lease obligations, less current installments	42,302	32,767
Deferred tax liabilities, net	1,153	852
Other non-current liabilities	5,868	6,265
Long-term liabilities of discontinued operations	—	1,841
Total liabilities	97,604	202,077
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock, \$0.01 par value; authorized – 100,000 shares; 37,188 and 42,406 issued and outstanding on September 30, 2022 and September 30, 2021, respectively	372	424
Additional paid-in capital	278,163	288,355
Accumulated deficit	(132,151)	(276,203)
Total ALJ stockholders' equity	146,384	12,576
Noncontrolling interest	5,198	—
Total equity	151,582	12,576
Total liabilities and stockholders' equity	\$ 249,186	\$ 214,653

See accompanying notes

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share amounts)

	Year Ended September 30,	
	2022	2021
Revenue:		
Revenue	\$ 191,226	\$ 325,226
Other revenue	51,314	—
Total revenue and other revenue	242,540	325,226
Costs, expenses, and other:		
Cost of revenue	216,153	267,343
Selling, general, and administrative expense	50,429	61,572
Lease impairment	2,158	—
Gain on sale of assets and other	(121,631)	—
Total operating costs, expenses, and other, net	147,109	328,915
Operating income (loss)	95,431	(3,689)
Other (expense) income, net:		
Interest, dividend, and other income	1,043	—
Interest expense	(5,479)	(10,190)
Loss on debt extinguishment	(3,884)	(1,914)
Total other expense, net	(8,320)	(12,104)
Income (loss) from continuing operations before income taxes	87,111	(15,793)
Provision for income taxes	(3,910)	(7)
Net income (loss) from continuing operations	83,201	(15,800)
Net income from discontinued operations, net of income taxes	60,851	11,157
Net income (loss)	\$ 144,052	\$ (4,643)
Income (loss) per share of common stock—basic:		
Continuing operations	\$ 2.00	\$ (0.37)
Discontinued operations	\$ 1.46	\$ 0.26
Net income (loss) per share ⁽¹⁾	\$ 3.47	\$ (0.11)
Income (loss) per share of common stock—diluted:		
Continuing operations	\$ 1.54	\$ (0.37)
Discontinued operations	\$ 1.13	\$ 0.21
Net income (loss) per share ⁽¹⁾	\$ 2.67	\$ (0.11)
Weighted average shares of common stock outstanding:		
Basic	41,561	42,329
Diluted	53,969	54,417

⁽¹⁾ Amounts may not add due to rounding.

See accompanying notes

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Year Ended September 30,	
	2022	2021
Operating activities:		
Net income (loss)	\$ 144,052	\$ (4,643)
Adjustments to reconcile net income (loss) to cash (used for) provided by operating activities:		
Depreciation and amortization expense	10,964	14,073
Loss on debt extinguishment	3,884	1,914
Lease impairment	2,158	—
Unrealized gain on marketable investments	(8)	—
Interest expense and other bank fees accreted to term loans	—	1,691
Change in fair value of contingent consideration	300	1,200
Amortization of deferred loan costs	627	811
Stock-based compensation expense	168	163
Provision for bad debts	1,300	—
Gain on sale of assets and other, excluding cash transaction costs paid	(128,000)	—
(Gain) loss on sale of subsidiaries, excluding cash transaction costs paid	(66,221)	761
Deferred income taxes	(284)	(135)
Changes in operating assets and liabilities:		
Accounts receivable, net	35,119	(13,534)
Prepaid expenses, collateral deposits, and other current assets	860	(2,499)
ROU assets/ROU liabilities	(1,345)	(784)
Other assets	(3,114)	1,146
Accounts payable	(5,904)	(514)
Accrued expenses	(9,776)	5,708
Income tax payable	(38)	29
Deferred revenue	(3,789)	(6,452)
Other current liabilities and other non-current liabilities	(6,012)	2,764
Discontinued operations, net	1,331	10,751
Cash (used for) provided by operating activities	(23,728)	12,450
Investing activities:		
Capital expenditures	(1,320)	(4,050)
Proceeds from the sale of subsidiaries	135,928	438
Proceeds from the sale of assets	131,141	—
Purchase of investments	(144,525)	—
Sale of investments	50,000	—
Acquisitions, net of cash acquired	(19,367)	—
Discontinued operations, net	(2,303)	(4,524)
Cash provided by (used for) investing activities	149,554	(8,136)
Financing activities:		
Proceeds from term loans	—	95,000
Payments on term loans	(94,050)	(77,348)
Share repurchases and retirements	(10,412)	—
Payments on line of credit, net	(5,490)	(8,927)
Deferred loan costs	(283)	(4,184)
Payments on finance leases	(810)	(2,553)
Payment of debt extinguishment penalties and other	(328)	(743)
Discontinued operations, net	—	(9,333)
Cash used for financing activities	(111,373)	(8,088)
Change in cash and cash equivalents	14,453	(3,774)
Cash and cash equivalents at beginning of the year	2,276	6,050
Cash and cash equivalents at end of the year	\$ 16,729	\$ 2,276

See accompanying notes

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Year Ended September 30,	
	2022	2021
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 5,060	\$ 9,149
Taxes	\$ 16,381	\$ 125
Non-cash investing and financing activities:		
Capital equipment purchases financed with term loans	\$ —	\$ 4,000

See accompanying notes

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands)

	Year Ended September 30,			
	2022		2021	
	Shares	Amount	Shares	Amount
Common Stock:				
Balance, beginning of period	42,406	\$ 424	42,298	\$ 423
Issuance of common stock to members of ALJ's board of directors	41	—	85	1
Issuance of common stock upon cashless exercise of stock options	3	—	23	—
Share repurchases and retirements	(5,262)	(52)	—	—
Balance, end of period	37,188	372	42,406	424
Additional Paid In Capital:				
Balance, beginning of period		288,355		288,192
Issuance of common stock to members of ALJ's board of directors		79		105
Stock-based compensation expense - options		89		58
Share repurchases and retirements		(10,360)		—
Balance, end of period		278,163		288,355
Accumulated Deficit:				
Balance, beginning of period		(276,203)		(271,560)
Net income (loss)		144,052		(4,643)
Balance, end of period		(132,151)		(276,203)
Total ALJ Stockholders' Equity		146,384		12,576
Noncontrolling Interest				
Balance, beginning of period		—		—
Acquisition		5,198		—
Balance, end of period		5,198		—
Total ALJ stockholders' equity		\$ 151,582		\$ 12,576

See accompanying notes

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

ALJ Regional Holdings, Inc. (including subsidiaries, referred to collectively herein as “ALJ” or “Company”) is a holding company. During the years ended September 30, 2022 and 2021, ALJ consisted of the following subsidiaries:

- Faneuil, Inc. (including its subsidiaries, “Faneuil”). ALJ owns 100% of Faneuil, a leading provider of call center services, back-office operations, staffing services, and toll collection services to government and regulated commercial clients across the United States, focusing on the healthcare, utility, transportation, and toll revenue collection industries. Faneuil is headquartered in Hampton, Virginia. ALJ acquired Faneuil in October 2013. On April 1, 2022, ALJ completed the sale of Faneuil’s tolling and transportation and health benefit exchange vertical (“Faneuil Asset Sale”). See ***Basis of Presentation*** below.
- Realtime Digital Innovations, LLC (d/b/a Vistio) (“Vistio”). ALJ owns 100% of Vistio a leading provider of technology to empower call center agents with the tools they need to be more productive. Vistio has over 20 years of experience across industries and government helping customers optimize their contact centers by (i) automating process workflows and business intelligence, (ii) generating labor efficiencies for existing programs, (iii) expanding potential new client target entry points, (iv) improving overall customer experience, and (v) increase margin profiles through shorter sales cycles and software license sales. Vistio was acquired in July 2019 under the name Realtime Digital Innovations, LLC (“RDI”). In 2021, RDI rebranded itself as Vistio with a renewed mission to change how contact centers work. Vistio is headquartered in Charleston, South Carolina.
- Ranew’s Companies. On September 28, 2022, Resin Acquisition Corp., an 80.01% subsidiary of the Company acquired the equity interests of Ranew’s Truck & Equipment Company, LLC, Ranew’s Outdoor Equipment, Inc., Ranew’s Management Company, Inc., Ranew’s Well Services Division, LLC, Ranew’s Companies, LLC and Ranew’s of Texas, Incorporated (collectively, “Ranew’s Companies,” and such acquisition, the “Ranew’s Acquisition”). Ranew’s Companies, headquartered in Milner, Georgia, are leading suppliers of industrial coating services to multinational manufacturers of equipment and a provider of precision fabrication and assembly and logistics services. See ***Basis of Presentation*** below.
- Phoenix Color Corp. (including its subsidiaries, “Phoenix”). Phoenix is a leading manufacturer of book components, educational materials and related products producing value-added components, heavily illustrated books and commercial specialty products using a broad spectrum of materials and decorative technologies. Phoenix is headquartered in Hagerstown, Maryland. ALJ acquired 100% of Phoenix in August 2015. On April 13, 2022, ALJ completed its sale of Phoenix (“Phoenix Sale”). See ***Basis of Presentation*** below.

ALJ owned another segment, Floors-N-More, LLC, d/b/a, Carpets N’ More (“Carpets”). Carpets was a floor covering retailer in Las Vegas, Nevada, and a provider of multiple products for the commercial, retail and home builder markets including all types of flooring, countertops, cabinets, window coverings and garage/closet organizers. ALJ acquired and disposed of Carpets in April 2014 and February 2021, respectively. See ***Basis of Presentation*** below.

Change to Reportable Segments

ALJ reports financial results by business segment. During the three months ended September 30, 2022, ALJ completed a strategic reorganization of its operations and separated Vistio into its own segment, which was previously included with the Faneuil reportable segment. As a result of the strategic reorganization, the prior period segment information has been recast to conform to the new organization structure. The change had no impact on the consolidated financial statements. The Company’s Chief Operating Decision Maker (“CODM”), its President and Chief Executive Officer, reviews financial information for ALJ’s reportable segments and makes decisions regarding the allocation of resources based on these segments. As of September 30, 2022, ALJ had three reportable segments (Faneuil, Vistio, and Ranew’s Companies) and a corporate group for certain support services. See Note 15 for additional information about reportable segments.

Recent Investments

The following is a summary of the recent transactions involving ALJ’s investments:

- Caprice Capital Partners, LLC. On June 20, 2022, the Company entered into a subscription agreement with Caprice Capital Partners, LLC (“Caprice”) in the amount of \$5.0 million. Caprice is a private investment firm focused on

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

providing debt and noncontrolling equity investments in small and lower-middle-market companies based in the United States.

- Hallador Energy Company. On August 12, 2022, the Company purchased an unsecured convertible promissory note (the “Note”) from Hallador Energy Company (NASDAQ: HNRG) (“Hallador”) for a principal sum of \$10.0 million. The Note bears interest at 8.0% per annum paid, at Hallador’s discretion, in cash or in shares of Hallador common stock at the lower of 30-day volume weighted average price (“VWAP”) or \$6.15 (the trailing VWAP on closing). The principal balance and all accrued and unpaid interest are required to be paid on the Note’s maturity date of December 31, 2026, and no prepayments are permitted. The Note also contains a right to convert the principal and accrued interest amounts outstanding on the Note (in whole and not in part) into shares of Hallador common stock at a fixed conversion price of \$6.15 (the trailing VWAP on closing).
- A-Mark Precious Metals, Inc. In September 2022, the Company purchased 350,000 shares of common stock of A-Mark Precious Metals, Inc. (NASDAQ: AMRK) (“A-Mark”). A-Mark is a fully integrated precious metals platform that offers an array of gold, silver, platinum, palladium, and copper bullion, numismatic coins, and related products to wholesale and retail customers via a portfolio of channels.
- Qualified Opportunity Zone Investment. As a result of the capital gains generated by the Faneuil Asset Sale and the Phoenix Sale, the Company invested \$20.0 million in a newly formed Qualified Opportunity Zone investment entity (“ALJ QOZ”) on September 26, 2022 for the purpose of investing such funds in a Qualified Opportunity Zone (an economically distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment) business by June 30, 2023. As a result of investing in a Qualified Opportunity Zone, the Company may have the ability to defer the recognition of related capital gains.

Basis of Presentation

Overall

The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of ALJ and its wholly- and majority-owned subsidiaries. Noncontrolling interests represent the proportionate equity interests in consolidated entities that are not 100% owned by the Company. As of September 30, 2022, the Company owns a 80.01% controlling interest in Ranew’s Companies and therefore is required to consolidate 100% of Ranew’s Companies within its consolidated financial statements. The 19.99% interest the Company does not own is accounted for as Noncontrolling interests. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

Discontinued Operations – Carpets

In February 2021, ALJ completed the sale of Carpets (the “Carpets Sale”). The Company determined that the Carpets Sale qualified as discontinued operations as defined by Accounting Standards Codification (“ASC”) 205-20-45, *Presentation of Financial Statements — Discontinued Operations — Other Presentation Matters* (“ASC 205”) because the Carpets Sale represented a strategic shift with a major effect on the Company’s operations and financial results. Pursuant to ASC 205, Carpets results of operations and cash flows were classified as discontinued operations for the year ended September 30, 2021. See Note 4 for additional financial information about Carpets’ discontinued operations.

Discontinued Operations – Phoenix

In February 2022, ALJ entered into a stock purchase agreement (the “Stock Purchase Agreement”) to sell all of the outstanding shares of common stock of Phoenix for cash consideration, including post-closing working capital adjustments, totaling approximately \$135.9 million. The Phoenix Sale closed on April 13, 2022. The Company recorded a gain on sale of discontinued operations, net of related income taxes, of \$51.6 million during the year ended September 30, 2022.

The Company determined that the Phoenix Sale qualified as discontinued operations as defined by ASC 205 because the Phoenix Sale represented a strategic shift with a major effect on the Company’s operations and financial results. Pursuant to ASC 205, Phoenix assets, liabilities, results of operations, and cash flows were classified as discontinued operations for all periods presented. See Note 4 for additional financial information about Phoenix’s discontinued operations.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Asset Sale - Faneuil

In December 2021, ALJ entered into an agreement to sell certain assets of Faneuil's tolling and transportation vertical and health benefit exchange vertical. The Faneuil Asset Sale closed on April 1, 2022, for cash consideration of \$142.3 million less an indemnification escrow amount of approximately \$15.0 million, of which \$3.6 million has been received through September 30, 2022. Faneuil is also eligible to receive additional earn-out payments based upon the performance of certain customer agreements in an aggregate amount of up to \$25.0 million. The Company recorded a gain on sale of assets, net of related income taxes, of \$115.7 million during the year ended September 30, 2022. See Note 4 for additional financial information about Faneuil's gain on sale of assets.

In connection with the Faneuil Asset Sale, Faneuil entered into a Transition Services Agreement ("TSA"), which is designed to ensure and facilitate an orderly transfer of the tolling and transportation vertical and health benefit exchange vertical. The services provided under the TSA will terminate at various times between 30 days and 365 days from the closing date of the Faneuil Asset Sale and can be renewed, in whole or in part, in 30-day increments, for a maximum of 180 days. Revenue earned from the TSA was disclosed as other revenue on the consolidated statements of operations during the year ended September 30, 2022. TSA-related expenses were recorded in their natural expense classification.

The Company determined that the Faneuil Asset Sale did not qualify as discontinued operations as defined by ASC 205 because the Faneuil Asset Sale does not represent a strategic shift with a major effect on the Company's operations and financial results. As such, Faneuil assets, liabilities, results of operations, and cash flows were included with continuing operations for all periods presented.

Acquisition – Ranew's Companies

Ranew's Companies' financial position was reflected on ALJ's consolidated balance sheet on September 30, 2022. Ranew's Companies had no financial transactions from September 28, 2022, the date of acquisition, through September 30, 2022. As such, ALJ's consolidated statement of operations for the year ended September 30, 2022 does not reflect any activity attributable to Ranew's Companies. See Note 4 for discussion of the Ranew's Acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Although actual results could differ materially from those estimates, such estimates are based on the best information available to management and management's best judgments at the time. Significant estimates and assumptions by management are used for, but are not limited to, determining the fair value of assets and liabilities, including intangible assets acquired and allocation of acquisition purchase prices, estimated useful lives of certain assets, recoverability of long-lived and intangible assets, the recoverability of goodwill, the realizability of deferred tax assets, stock-based compensation, the likelihood of material loss as a result of loss contingencies, customer lives used for revenue recognition, the allowance for doubtful accounts and inventory reserves, and calculation of insurance reserves. Actual results may differ materially from estimates.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with the Financial Accounting Standards Board ("FASB") ASC 805, *Business Combinations* ("ASC 805"). The Company recognizes the fair value of the assets acquired and liabilities assumed, immediately expenses transaction costs and accounts for restructuring plans separately from the business combination. The excess of the cost of the acquisition over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. Results of operations of the acquired business are included in the Consolidated Statements of Operations from the effective date of acquisition.

ALJ uses its best estimates and assumptions to accurately value assets acquired, and liabilities assumed at the acquisition date. The measurement period for the valuation of assets acquired and liabilities assumed ends as soon as information on the facts and circumstances that existed as of the acquisition dates becomes available but does not exceed 12 months. Adjustments to purchase price allocations may require a change in the amounts allocated to goodwill during the periods in which the adjustments are determined.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Cash and Cash Equivalents

Cash and equivalents include all cash, demand deposits, and money market accounts with original maturities of three months or less.

Investments

Investments include treasury bills, equity securities, debt securities, and ALJ QOZ. Investments with original maturities longer than three months at the time of purchase and less than one year from period end are classified as short-term. All other investments are classified as long-term.

ALJ determines the appropriate classifications of its investments at the acquisition date and re-evaluates the classifications at each balance sheet date. Treasury bills and equity securities are accounted for as available-for-sale and recorded at fair value. Debt securities are accounted for as held-to-maturity and recorded at amortized cost, which approximates fair value. The ALJ QOZ funds were invested in money market funds on September 30, 2022. See Note 6.

Accounts Receivable

ALJ presents accounts receivable, net of allowances for doubtful accounts and returns. Allowances, when required, are calculated based on a detailed review of certain individual customer accounts and an estimation of the overall economic conditions affecting ALJ's customer base. ALJ reviews a customer's credit history before extending credit. If the financial condition of its customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Inventory

Inventory, which consists primarily of steel, trailer components, and paint, is stated at lower of cost or net realizable value. Cost is determined using FIFO and includes direct materials, direct labor, and applicable overhead. The Company reserves for slow-moving and obsolete inventory based on historical and/or projected usage of the product.

Property and Equipment

Property and equipment are initially recorded at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are as follows:

Description	Estimated Useful Life
Computer and office equipment	3–7 years
Computer software	3–6 years
Furniture and fixtures	7–10 years
Leasehold improvements	Shorter of useful life or lease term
Equipment under capital leases	Shorter of useful life or lease term
Equipment	5–12 years
Vehicles and commercial trucks	5 years

Property and equipment acquired in a business acquisition are recorded at fair value on the date of acquisition. Subsequent purchases are recorded at historical cost. Significant improvements and betterments are capitalized. Routine repairs and maintenance are expensed when incurred. Gains and losses on disposal of fixed assets are recognized in the consolidated statements of operations based on the net disposal proceeds less the carrying amount of the assets.

Leases and Lease Impairment

Leases

ALJ has operating leases for facilities, equipment, and vehicles, and finance leases for equipment. Over 95% of operating leases are for facilities. Many of the Company's facilities leases contain renewal options and rent escalation clauses. The Company subleases excess facility space. Sublease payments received were immaterial for all periods presented.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The Company determines if an arrangement is a lease at inception and recognizes a finance or operating lease liability and right-of-use asset in the Company's consolidated balance sheet. Right-of-use assets and lease liabilities for both operating and finance leases are recognized based on present value of lease payments over the lease term at commencement date.

In instances where the lease does not provide an implicit rate, the Company estimates an incremental borrowing rate ("IBR") based on the information available at commencement date to determine the present value of lease payments. ALJ does not have a published credit rating because it has no publicly traded debt. However, the Company does have several privately held debt instruments that were taken into consideration. The Company generates its IBR, using a synthetic credit rating model that estimates the likelihood (probability) of a borrower receiving a given credit rating based on relevant credit factors or predictor variables. It is based on a regression analysis using selected financial ratios of publicly traded industry comparable companies and the companies' credit ratings. The estimated IBR is then adjusted for (i) the length of the lease term, and (ii) the effect of designating specific collateral with a value equal to the unpaid lease payments. Finally, ALJ applies the estimated IBR on a lease-by-lease basis as each lease has different start and end dates and has different assumptions regarding purchase or renewal options.

For facilities leases, ALJ accounts for non-lease components such as maintenance, taxes, and insurance, separately. For equipment leases, ALJ accounts for lease and non-lease components as a single lease component. The difference between the operating lease right-of-use assets and operating lease liabilities primarily relates to adjustments for deferred rent and tenant improvement allowances.

Lease Impairment

The Company tests right-of-use ("ROU") assets when impairment indicators are present. During March 2022, the Company entered into an agreement to sublease excess office space, which triggered impairment testing for the underlying ROU asset. The Company performed a discounted cash flow analysis on the ROU asset and determined that the net carrying value exceeded the estimated discounted future cash flows. As a result, ALJ recorded a \$2.2 million lease impairment, which was reflected on the statement of operations for the year ended September 30, 2022.

Goodwill

ALJ records goodwill when the purchase price of an acquisition exceeds the fair value of the net tangible and identified intangible assets acquired. ALJ assigns the goodwill to its reporting units consistent with the future economic benefits and synergies expected to be achieved. ALJ performs an annual impairment assessment annually as of September 30, or more frequently if indicators of potential impairment exist, which includes evaluating qualitative and quantitative factors to assess the likelihood of an impairment of a segment's goodwill.

Intangible Assets

As of September 30, 2022 and 2021, all intangible assets were acquisition-related, recorded at fair value on the dates acquired, and subject to amortization. ALJ amortizes intangible assets over their estimated useful life based on expected economic benefit using the straight-line method. In the quarter following the period in which the intangible asset becomes fully amortized, ALJ removes the fully amortized balances from the gross asset and accumulated amortization amounts.

The estimated useful life ranges for all identified intangible assets were as follows:

Description	Estimated Useful Life (Years)
Non-compete agreements	2-6
Supply agreements	4-15
Technology	8
Internal-use software	6
Customer relationships	12-15
Trade names	15-30

Deferred Loan Costs

Deferred loan costs related to ALJ's term loans are amortized to interest expense using the effective yield method over the contractual life of the debt. Additional amortization is recorded in periods where optional prepayments on debt are made. Deferred loan costs

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

related to ALJ's line of credit are amortized to interest expense using the straight-line method over the life of the debt. During the year ended September 30, 2022, ALJ wrote off all deferred loan costs as the related debt was paid off. See Note 9.

Workers' Compensation Reserve

Faneuil is self-insured for workers' compensation claims up to \$500,000 per incident. Reserves have been provided for workers' compensation based on insurance coverages, third-party actuarial analysis, and management's judgment. Effective October 1, 2022, Faneuil changed to a fully insured plan. All other segments maintain outside insurance to cover workers' compensation claims.

Fair Value of Financial Instruments

ALJ accounts for certain assets and liabilities at fair value. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. We categorize each of our fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1. Inputs are based upon unadjusted quoted prices for identical instruments in active markets. As valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not require a significant degree of judgment. ALJ's Level 1 assets consist of equity securities that are traded on the NASDAQ national market. See Note 6. ALJ had no Level 1 liabilities.

Level 2. Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g., the Black-Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. ALJ had no Level 2 assets or liabilities.

Level 3. Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities. ALJ had no Level 3 assets. ALJ's only Level 3 liabilities are acquisition-related contingent consideration. The fair values were determined using a variation of the income approach, known as the real options method, where certain revenue was simulated in a risk-neutral framework using Geometric Brownian Motion, a well-accepted model of stock price behavior that is used in option pricing models such as the Black-Scholes option pricing model. See Note 4.

Certain of the Company's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate their fair value due to their liquid or short-term nature, such as accounts receivable and payable, and other financial instruments in current assets or current liabilities. ALJ's line of credit and term loans, which were extinguished during the year ended September 30, 2022, carried a variable interest rate set at current market rates, and as such, the carrying value approximated fair value.

Revenue from Contracts with Customers

The Company recognizes revenue when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

Faneuil. Faneuil customer contracts are typically in the form of a written contract executed between Faneuil and its customers that may include a Statement of Work, Request for Proposal, Responses to the Request for Proposal, and other correspondence. The contracts often provide the customer with renewal and/or termination options that impact the contract term under ASC 606.

Faneuil contracts often include promises to transfer multiple products and services to its customers. Determining whether products and services are considered distinct performance obligations that should be accounted for separately, versus together, requires significant judgment. Typically, Faneuil contracts include performance obligation(s) to stand-ready on a daily or monthly basis to provide services to its customers. Under a stand-ready obligation, the evaluation of the nature of the performance obligation is focused on each time increment rather than the underlying activities. Accordingly, the promise to stand-ready is accounted for as a single-series performance obligation.

Faneuil provides implementation activities prior to commencing services under the stand-ready obligation. The determination of

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

whether the implementation activities are classified as fulfillment activities or promised goods and services and the determination of whether the implementation promised goods and services are distinct performance requirements requires significant judgment.

Once Faneuil determines the performance obligations, Faneuil estimates the amount of variable consideration to be included in determining the transaction price. Typical forms of variable consideration include variable pricing based on the number of transactions processed or usage-based pricing arrangements. Variable consideration is also present in the form of tiered and declining pricing, penalties for service level agreements, performance bonuses, and credits. In circumstances where Faneuil meets certain requirements to allocate variable consideration to a distinct service within a series of related services, Faneuil allocates variable consideration to each distinct period of service within the series. If Faneuil does not meet those requirements, Faneuil includes an estimate of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty is resolved. For contracts with multiple performance obligations, the transaction price is allocated to the separate performance obligations on a relative stand-alone selling price basis. Faneuil generally determines stand-alone selling prices based on the prices charged to customers or by using expected cost plus a margin.

Faneuil typically satisfies its performance obligations over time as the services are provided. A time-elapsed output method is used to measure progress because the nature of Faneuil's promise is a stand-ready service and efforts are expended evenly throughout the period. Faneuil uses a cost-to-cost based input method to measure progress on its implementation services. Faneuil has determined that the above methods provide a faithful depiction of the transfer of services to the customer.

Revenue expected to be recognized in future periods exclude unexercised customer options to purchase additional services that do not represent material rights to the customer. Customer options that do not represent a material right are only accounted for when the customer exercises its option to purchase additional goods or services.

When more than one party is involved in providing services to a customer, Faneuil evaluates whether it is the principal, and reports revenue on a gross basis, or as an agent, and reports revenue on a net basis. In this assessment, Faneuil considers the following: if it obtains control of the specified services before they are transferred to the customer; if it is primarily responsible for fulfillment; and whether it has discretion in establishing price. Based on its evaluation, in most circumstances, Faneuil determined that it acts as the principal.

Faneuil's payment terms vary by type of services offered. Generally, the time between provision of services during the operational phase, invoicing, and when payment is due is not significant. However, Faneuil sometimes receives advances or deposits from its customers before revenue is recognized, resulting in deferred revenue, which is recorded as a contract liability. The timing of when Faneuil bills its customers during the implementation phase is generally dependent upon agreed-upon contractual terms, milestone billings based on the completion of certain phases of the work, or when services are provided. Sometimes, billing occurs subsequent to transfer of control of goods or services, resulting in unbilled revenue, which is recorded as a contract asset.

From time to time, Faneuil contracts are modified to account for additions or changes to existing performance obligations. Each modification is evaluated under the guidance of ASC 606 and accounted for based on the specific modifications. When a contract modification relates to a stand-ready performance obligation, the impact of the modification is generally accounted for prospectively.

Vistio. Vistio derives the majority of its revenues from recurring monthly subscription fees charged for the use of its software-as-a-service ("SaaS") subscription services. SaaS fees are generally recognized as revenue over the term of the contract as a series of distinct SaaS services bundled into a single performance obligation. Clients are usually charged a one-time, upfront implementation fee. Implementation is complex, and the Company has determined that the one-time, upfront services do not transfer a promised service to the client. As these services are not distinct, they are bundled into the SaaS series of services, and the associated fees are recognized on a straight-line basis over the subscription term.

Stock-Based Compensation

ALJ recognizes compensation expense for its equity awards on a straight-line basis over the requisite service period of the award based on the estimated portion of the award that is expected to vest and applies estimated forfeiture rates based on analyses of historical data, including termination patterns and other factors. ALJ uses the quoted closing market price of its common stock on the grant date to measure the fair value of common stock awards and the Black-Scholes option pricing model to measure the fair value of stock option awards. The expected volatility is based on historical volatilities of ALJ's common stock over the most recent period commensurate with the estimated expected term of the awards. The expected term of an award is equal to the midpoint between the vesting date and the end of the contractual term of the award. The risk-free interest rate is based on the rate on U.S. Treasury securities

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

with maturities consistent with the estimated expected term of the awards. ALJ has never paid dividends and does not anticipate paying a cash dividend in the foreseeable future and, accordingly, uses an expected dividend yield of zero.

During the year ended September 30, 2022, ALJ used the following weighted-average assumptions: expected option life of 6.2 years, volatility of 56.5%, dividend yield of 0.00%, and annual risk-free interest rate of 1.18%. The weighted-average fair value of the options granted during the year ended September 30, 2022 was \$0.59.

During the year ended September 30, 2021, ALJ used the following weighted-average assumptions: expected option life of 6.2 years, volatility of 55.6%, dividend yield of 0.00%, and annual risk-free interest rate of 0.8%. The weighted-average fair value of the options granted during the year ended September 30, 2021 was \$0.65.

Impairment of Long-Lived Assets

Goodwill. The Company assesses the recoverability of goodwill on an annual basis in accordance with ASC 350 *Intangibles - Goodwill and Other*. The measurement date is September 30, or more frequently, if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than the carrying value. The impairment test includes evaluating qualitative and quantitative factors to assess the likelihood of an impairment of goodwill. Goodwill is assessed at the reporting-unit level.

Long-Lived Assets. Long-lived assets, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset or asset group to estimated undiscounted future cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset or asset group exceeds the estimated fair value of the asset or asset group. Long-lived assets to be disposed of by sale are reported at the lower of their carrying amounts or their estimated fair values, less costs to sell, and are not depreciated.

The Company did not have any impairment of long-lived assets during the years ended September 30, 2022 and 2021.

Interest, Dividend, and Other Income

Interest and dividend income includes dividends and interest generated from cash and equity investments held. Dividend and interest income is recognized when earned.

Income Taxes

The Company uses the asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by the valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's judgments relative to the current provision for income taxes consider current tax laws, the interpretation of current tax laws and possible outcomes of current and future audits conducted by tax authorities. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions and is subject to U.S. federal tax and state tax examinations. The Company's judgments relative to the value of deferred tax assets and liabilities consider estimates of the amount of future taxable income. Actual operating results and the underlying amount of income in future years could render current estimates of recoverable net deferred taxes inaccurate. Any of the judgments mentioned above could cause actual income tax obligations to differ from estimates, thus materially impacting the Company's financial position and results of operations.

If the Company takes a recognized tax position or has taken a recognized tax position on a tax return that more likely than not would be sustained upon examination by tax authorities, then the Company will recognize the potential asset or liability in the financial statements. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Management believes that the Company has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accrual for tax liabilities is adequate for all open years based on its assessment of many

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

factors, including past experience and interpretation of tax law applied to the facts of each matter.

Income (Loss) Per Share

Basic income (loss) per share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period. Diluted income (loss) per share is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding during the period, plus the dilutive effect of outstanding convertible debt, warrants, and employee stock options as applicable pursuant to the treasury stock method.

Recent Accounting Pronouncements Adopted

Internal-Use Software

In August 2018, the Financial Accounting Standards Boards (“FASB”) issued Accounting Standards Update (“ASU”) 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, to provide guidance on implementation costs incurred in a cloud computing arrangement (“CCA”) that is a service contract. ASU 2018-15 aligns the accounting for such costs with the guidance on capitalizing costs associated with developing or obtaining internal-use software. Specifically, ASU 2018-15 amends ASC 350, *Intangibles—Goodwill and Other*, to include in its scope implementation costs of a CCA that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in such a CCA. ALJ adopted ASU 2018-15 on October 1, 2021. The impact of ASU 2018-15 on ALJ’s consolidated financial statements and related disclosures was not material.

Debt with Conversion and Other Options

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40)* to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity’s own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity’s own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ALJ adopted ASU 2020-06 on October 1, 2021 using the full retrospective basis. The impact of ASU 2020-06 on ALJ’s consolidated financial statements and related disclosures was not material.

Accounting Standards Not Yet Adopted

Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40)*, which addresses issuer’s accounting for certain modifications or exchanges of freestanding equity-classified written call options. ASU 2021-04 will be effective for ALJ on October 1, 2022. ALJ does not anticipate the adoption of ASU 2021-04 to significantly impact its consolidated financial statements and related disclosures.

Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The new guidance requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, as if it had originated the contracts. This approach differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. ASU 2021-08 will be effective for ALJ on October 1, 2023. The adoption impact of the new standard will depend on the magnitude of future acquisitions. The standard will not impact acquired contract assets or liabilities from business combinations occurring prior to the adoption date.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

3. REVENUE RECOGNITION

Disaggregation of Revenue

Revenue by contract type was as follows for the years ended September 30, 2022 and 2021:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Faneuil:		
Utility	\$ 55,380	\$ 54,341
Healthcare	77,438	137,279
Other	2,196	4,477
Government	3,069	40,437
Transportation	51,984	88,692
Total revenue	190,067	325,226
Other revenue	51,314	—
Total Faneuil	\$ 241,381	\$ 325,226
Vistio:		
Other	\$ 1,009	\$ —
Utility	150	—
Total Vistio	\$ 1,159	\$ 325,226
Total consolidated revenue, net	\$ 242,540	\$ 325,226

Substantially all of Faneuil revenue and Vistio revenue is recognized over time.

Other Revenue

As discussed in Note 1, other revenue was attributable to Faneuil's TSA. The TSA has a single performance obligation, as the promises to provide the identified services are not distinct within the context of the TSA. The single performance obligation constitutes a series of distinct services as the customer benefits as services are provided. Service revenue is recognized over time using the input method. The input method provides a faithful depiction of the performance toward complete satisfaction of the performance obligation and can be tied to the direct cost incurred.

Contract Assets and Liabilities

The following table provides information about consolidated contract assets and contract liabilities on September 30, 2022 and 2021:

<i>(in thousands)</i>	September 30,	
	2022	2021
Contract assets:		
Unbilled revenue ⁽¹⁾	\$ —	\$ 69
Total contract assets	\$ —	\$ 69
Contract liabilities:		
Deferred revenue ⁽²⁾	\$ 655	\$ 4,422
Total contract liabilities	\$ 655	\$ 4,422

(1) Included in prepaid expenses and other current assets. Unbilled revenue represents rights to consideration for services provided when the right is conditioned on something other than passage of time (for example, meeting a milestone for the right to bill under the cost-to-cost measure of progress). Unbilled revenue is transferred to accounts receivable when the rights become unconditional.

(2) Included in accrued expenses.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The following table provides changes in consolidated contract assets and contract liabilities from September 30, 2021, to September 30, 2022:

<i>(in thousands)</i>	Contract Assets	Contract Liabilities
Balance, September 30, 2021	\$ 69	\$ 4,422
Additions to contract assets	26	—
Revenue recognized	—	(8,403)
Cash received from customer and other	(95)	4,636
Balance, September 30, 2022	<u>\$ —</u>	<u>\$ 655</u>

Deferred Revenue and Remaining Performance Obligations

Deferred revenue primarily consists of billings or payments received in advance of revenue recognition from call center services, including non-refundable payments made prior to operations. Deferred revenue is recognized as revenue when transfer of control to customers has occurred. Customers are typically invoiced for these agreements in regular installments and revenue is recognized ratably over the contractual service period. The deferred revenue balance is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing, size and new business linearity within the quarter. Deferred revenue does not represent the total contract value of annual or multi-year non-cancellable agreements.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 60 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that contracts generally do not include a significant financing component. The primary purpose of invoicing terms is to provide customers with simplified and predictable ways of purchasing products and services, not to receive financing from customers. Any potential financing fees are considered de minimis.

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue. Transaction price allocated to the remaining performance obligation is influenced by several factors, including the timing of renewals and average contract terms. The Company applied practical expedients to exclude amounts related to performance obligations that are billed and recognized as they are delivered, optional purchases that do not represent material rights, and any estimated amounts of variable consideration that are subject to constraint in accordance with the new revenue standard.

The Company has elected to apply the optional exemption for the disclosure of remaining performance obligations for contracts that have an original expected duration of one year or less, are billed and recognized as services are delivered and/or variable consideration allocated entirely to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation. This primarily consists of call center services that are billed monthly based on the services performed each month.

Costs to Obtain a Contract

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The costs to obtain a contract capitalized are primarily sales commissions paid to our sales force personnel. Capitalized costs may also include portions of fringe benefits and payroll taxes associated with compensation for incremental costs to acquire customer contracts and incentive payments to partners. These costs are amortized over the term of the contract or the estimated life of the customer relationship if renewals are expected and the renewal commission is not commensurate with the initial commission. The Company expenses sales commissions when incurred if the amortization period of the sales commission is one year or less. The accounting for incremental costs of obtaining a contract with a customer is consistent with the accounting under previous guidance.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The following table provides changes in costs to obtain a contract for the years ended September 30, 2022 and 2021:

	Year Ended September 30,	
	2022	2021
Balance, beginning of period	\$ 239	\$ 593
Additions	378	99
Amortization, included in selling, general, and administrative expense	(385)	(453)
Balance, end of period	\$ 232	\$ 239
Reported as of end of period		
Current - prepaid expenses and other current assets	208	181
Noncurrent - other assets	24	58
Total	\$ 232	\$ 239

Costs to Fulfill a Contract

The Company also capitalizes costs incurred to fulfill its contracts that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy the Company's performance obligation under the contract, and (iii) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed to cost of revenue as the Company satisfies its performance obligations by transferring the service to the customer. These costs are amortized on a systematic basis over the expected period of benefit.

The following table provides changes in costs to fulfill a contract for the years ended September 30, 2022 and 2021:

	Year Ended September 30,	
	2022	2021
Balance, beginning of period	\$ 2,884	\$ 5,118
Additions	2,755	7,311
Amortization, included in selling, general, and administrative expense	(5,169)	(9,545)
Balance, end of period	\$ 470	\$ 2,884
Reported as of end of period		
Current - prepaid expenses and other current assets	216	471
Noncurrent - other assets	254	2,413
Total	\$ 470	\$ 2,884

Capitalized costs to obtain and fulfill a contract are periodically reviewed for impairment. ALJ did not incur any impairment losses during the years ended September 30, 2022 or 2021.

4. ACQUISITIONS, DIVESTITURES, AND DISCONTINUED OPERATIONS

Carpets Sale

As previously discussed in Note 1, ALJ sold Carpets during February 2021. As a result, ALJ recognized a loss on sale of \$0.8 million during the year ended September 30, 2021 calculated as follows:

<i>(in thousands)</i>	Amount
Cash proceeds	\$ 500
Net assets sold	(1,199)
Transaction costs	(62)
Impact of income taxes	—
Total loss on sale	\$ (761)

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The carrying values of the net assets sold, at the time of closing, were as follows:

<i>(in thousands)</i>	Amount
Current assets	\$ 4,615
Intangible assets, net	318
Other long-term assets	740
Current liabilities	(4,099)
Long-term liabilities	(375)
Net assets sold	<u>\$ 1,199</u>

The following table presents information regarding certain components of loss from discontinued operations, net of income taxes, attributable to Carpets, for the year ended September 30, 2021:

<i>(in thousands)</i>	Amount
Revenue	\$ 13,799
Operating loss	(302)
Loss on sale	(761)
Loss before income taxes	(1,063)
Income tax expense	—
Loss from discontinued operations, net of income taxes	(1,063)

The following table presents significant components of cash flows of discontinued operations, attributable to Carpets, for the year ended September 30, 2021:

<i>(in thousands)</i>	Amount
Operating activities	
Depreciation and amortization expense	\$ 199
Provision for bad debts and obsolete inventory	27
Changes in operating assets and liabilities:	
Accounts receivable, net	399
Inventories, net	(12)
Prepaid expenses, collateral deposits, and other current assets	24
Other assets and liabilities, net	26
Investing activities	
Capital expenditures	(7)

Faneuil Asset Sale

As previously discussed in Note 1, ALJ sold certain net assets of Faneuil on April 1, 2022. As a result, the Company recorded a gain on sale of assets, net of related income taxes, of \$115.7 million during the year ended September 30, 2022 calculated as follows:

<i>(in thousands)</i>	Amount
Cash proceeds	\$ 131,141
Net assets sold	(3,114)
Transaction costs	(6,370)
Gain on sale of assets before income taxes	\$ 121,657
Impact of income taxes ⁽¹⁾	(5,992)
Total gain on sale, net of income taxes	<u>\$ 115,665</u>

⁽¹⁾ Included in the provision for income taxes on the consolidated statement of operations.

The carrying values of the net assets sold, at the time of closing, were as follows:

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

<i>(in thousands)</i>	Amount
Current assets	\$ 215
Property and equipment, net	6,198
Operating lease right-of-use assets	7,572
Current liabilities	(1,376)
Long-term liabilities	(9,495)
Net assets sold	\$ 3,114

Phoenix Sale

As previously discussed in Note 1, ALJ sold Phoenix on April 13, 2022. As a result, ALJ recognized a gain on sale, net of income taxes, of \$51.6 million during the year ended September 30, 2022, calculated as follows:

<i>(in thousands)</i>	Amount
Cash proceeds	\$ 135,928
Net assets sold	(69,707)
Transaction costs	(6,441)
Impact of income taxes	(8,206)
Total gain on sale	\$ 51,574

The carrying values of the net assets sold, at the time of closing, were as follows:

<i>(in thousands)</i>	Amount
Current assets	\$ 22,270
Property and equipment, net	40,329
Other long-term assets	18,171
Current liabilities	(10,705)
Long-term liabilities	(358)
Net assets sold	\$ 69,707

The following table presents the carrying amount of major classes of assets and liabilities, attributable to Phoenix, classified as held for sale included in discontinued operations on September 30, 2021:

<i>(in thousands)</i>	September 30, 2021
Assets:	
Accounts receivable	\$ 10,912
Inventories, net	7,654
Prepaid expenses and other current assets	2,042
Property and equipment, net	41,066
Operating lease right-of-use assets	—
Intangible assets, net	18,705
Other long-term assets	389
Total assets of discontinued operations	\$ 80,768
Liabilities:	
Accounts payable	\$ 3,986
Accrued expenses	5,396
Other current liabilities	810
Total long-term liabilities	1,841
Total liabilities of discontinued operations	\$ 12,033

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The following table presents certain components of results of operations reported as discontinued operations, attributable to Phoenix, for the years ended September 30, 2022 and 2021:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Revenue	\$ 65,040	\$ 115,628
Operating income	9,277	12,800
Gain on sale, net of income taxes	51,574	—
Net income from discontinued operations, net of income taxes	60,851	12,220

The following table presents certain components of cash flows reported as discontinued operations, attributable to Phoenix, for the years ended September 30, 2022 and 2021:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Operating activities		
Depreciation and amortization expense	\$ 4,092	\$ 7,494
Provision for bad debts and obsolete inventory and other	(11)	(8)
Changes in operating assets and liabilities:		
Accounts receivable, net	(549)	1,449
Inventories, net	(487)	(1,447)
Prepaid expenses, collateral deposits, and other current assets	1,026	607
Other assets and liabilities, net	(2,740)	1,993
Investing activities		
Capital expenditures	(2,309)	(4,826)
Proceeds from sales of assets	6	309
Financing activities		
Payments on finance leases	—	(7,538)
Payments on term loans	—	(1,637)
Payment of debt extinguishment penalties and other	—	(158)

Ranew's Acquisition

Background

As previously discussed in Note 1, ALJ acquired Ranew's Companies on September 28, 2022 ("Ranew's Acquisition Date"). The aggregate consideration for the Ranew's Acquisition was (i) \$20.8 million cash, of which \$19.8 million was paid at closing and \$1.0 million was paid in October 2022, and (ii) two earn-outs. Each earn-out payment is equal to the product of the increase in the adjusted EBITDA over EBITDA in the trailing twelve (12) month ("TTM") period prior to the applicable earn-out payment date multiplied by 3.25. The earn-outs do not have a maximum payout.

The following schedule reflects the estimated fair value of assets acquired and liabilities assumed on the Ranew's Acquisition Date (*in thousands*):

Balance Sheet Caption	Estimated Purchase Price Allocation
Total current assets	\$ 13,841
Fixed assets	16,589
Goodwill	13,995
Total assets	44,425
Accrued expenses	(2,719)
Line of credit	(3,000)
Fair value of contingent consideration	(14,141)
Noncontrolling interest	(5,198)
Cash paid at closing, net of cash received	\$ 19,367

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The Company accounted for the Ranew’s Acquisition using the purchase method of accounting. Accordingly, the assets and liabilities were recorded at their fair values at the date of acquisition. The excess of the purchase price over the fair value of the tangible and intangible assets acquired, liabilities assumed, and deferred and contingent consideration, was recorded as goodwill. During the measurement period, if updated or final information is obtained about facts and circumstances that existed as of the acquisition date, cumulative changes in the estimated fair values of the net assets recorded may change the amount of the purchase price allocable to goodwill. During the measurement period, which expires one year from the acquisition date, changes to any purchase price allocations will be adjusted in the reporting period in which the adjustment amount is determined.

Pro Forma Impact of Ranew’s Acquisition

The following table presents pro forma consolidated results of operations for the year ended September 30, 2022, as if the Ranew’s Acquisition closed on October 1, 2021 (*in thousands*):

Statement of Operations Caption	Pro Forma Amount
Revenue	\$ 303,338
Net income from continuing operations attributable to ALJ	\$ 84,564
Income from continuing operations attributable to ALJ per share of common stock – diluted	\$ 1.57
Weighted average shares of common stock outstanding – diluted	53,969

The unaudited pro forma consolidated results of operations were prepared using the acquisition method of accounting and are based on the historical financial information of ALJ and Ranew’s Companies.

The unaudited pro forma information does not reflect any cost savings, operating synergies and other benefits that the Company may achieve as a result of these acquisitions, or the costs necessary to achieve these cost savings, operating synergies and other benefits. In addition, the unaudited pro forma information does not reflect the costs to integrate the operations of the Company with those of Ranew’s Companies.

The unaudited pro forma information is not necessarily indicative of what the Company’s consolidated results of operations actually would have been had the Ranew’s Acquisition been completed on October 1, 2021. In addition, the unaudited pro forma information does not purport to project the future results of operations of the Company.

Fair Value Adjustment of Acquisition-Related Deferred and Contingent Consideration Liabilities

The fair value of ALJ’s acquisition-related deferred and contingent consideration liabilities is remeasured to fair value at each reporting period using Level 3 inputs such as cash flow forecast, discount rate, and equity risk premium. The change in fair value, including accretion for the passage of time, is recognized in earnings until the deferred and contingent considerations are resolved. ALJ recorded a \$0.3 million and a \$1.2 million increase to deferred and contingent consideration liabilities during the years ended September 30, 2022 and 2021, respectively, which was expensed to selling, general, and administrative expense.

Acquisition-Related Expenses

During the year ended September 30, 2022, the Company incurred \$1.4 million of acquisition-related expenses in connection with the Ranew’s Acquisition, which were expensed to selling, general, and administrative expense. ALJ did not incur any acquisition-related expenses incurred during the year ended September 30, 2021.

5. CONCENTRATION RISKS

Cash and Cash Equivalents

The Company maintains its cash balances in accounts, which, at times, may exceed federally insured limits. The Company has not experienced any loss in such accounts and believes there is little exposure to any significant credit risk.

Major Customers and Accounts Receivable

ALJ did not generate net revenue from any one customer in excess of 10% of consolidated net revenue. Each of ALJ’s segments had customers that represent more than 10% of their respective net revenue, as described below.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Faneuil. The percentages of Faneuil net revenue derived from its significant customers were as follows:

	Year Ended September 30,	
	2022	2021
Customer A	21.2%	**
Customer B	10.6	10.0%
Customer C	**	10.1

** Less than 10% of Faneuil net revenue.

Accounts receivable from significant customers during the year ended September 30, 2022 totaled \$9.0 million on September 30, 2022. As of September 30, 2022, all Faneuil accounts receivable were unsecured. The risk with respect to accounts receivable is mitigated by credit evaluations performed on customers and the short duration of payment terms extended to customers.

Vistio. The percentages of Vistio net revenue derived from its significant customers were as follows:

	Year Ended September 30,	
	2022	2021
Customer A	87.1%	**
Customer B	12.9	**

** Less than 10% of Vistio net revenue.

Accounts receivable from significant customers during the year ended September 30, 2022 totaled \$0.3 million on September 30, 2022. As of September 30, 2022, all Vistio accounts receivable were unsecured. The risk with respect to accounts receivable is mitigated by credit evaluations performed on customers and the short duration of payment terms extended to most customers.

6. INVESTMENTS

The following table summarizes the Company's short-term and non-current investments recorded in the consolidated balance sheets on September 30, 2022. The Company did not have any short-term or non-current investments on September 30, 2021.

<i>(in thousands)</i>	September 30, 2022		
	Short-Term	Non-Current ⁽¹⁾	Total
Available-for-Sale:			
Equity securities (A-Mark)	\$ 9,937	\$ —	\$ 9,937
Held-to-Maturity:			
Treasury bills	49,941	—	49,941
Debt securities (Caprice)	—	5,000	5,000
Debt securities (Hallador)	—	10,000	10,000
ALJ QOZ	—	20,005	20,005
Total investments	\$ 59,878	\$ 35,005	\$ 94,883

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(1) Included in other assets on the consolidated balance sheets.

7. COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS

Accounts Receivable, Net

The following table summarizes accounts receivable at the end of each reporting period:

<i>(in thousands)</i>	September 30,	
	2022	2021
Accounts receivable	\$ 31,867	\$ 57,455
Unbilled receivables	—	205
Accounts receivable	31,867	57,660
Less: allowance for doubtful accounts	(621)	—
Accounts receivable, net	\$ 31,246	\$ 57,660

Inventories, Net

The following table summarizes inventories at the end of each reporting period:

<i>(in thousands)</i>	September 30,	
	2022	2021
Raw materials	\$ 3,054	\$ —
Work in process	286	—
Finished goods	167	—
Inventories	\$ 3,507	\$ —

Property and Equipment

The following table summarizes property and equipment at the end of each reporting period:

<i>(in thousands)</i>	September 30,	
	2022	2021
Leasehold improvements	\$ 16,457	\$ 30,849
Warehouse equipment	15,088	—
Computer and office equipment	11,162	22,387
Software	9,857	16,532
Furniture and fixtures	3,209	7,600
Machinery and equipment	923	1,190
Vehicles	696	155
Property and equipment	57,392	78,713
Less: accumulated depreciation and amortization	(31,239)	(55,849)
Property and equipment, net	\$ 26,153	\$ 22,864

Property and equipment depreciation and amortization expense, including amounts related to finance leased assets, was \$8.4 million and \$11.2 million for the years ended September 30, 2022 and 2021, respectively.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Intangible Assets

The following tables summarize identified intangible assets at the end of each reporting period:

<i>(in thousands)</i>	September 30, 2022				
	Weighted Average Original Life (Years)	Weighted Average Remaining Life (Years)	Gross	Accumulated Amortization	Net
	Customer relationships	12.0	3.9	\$ 16,550	\$ (11,294)
Trade names	15.0	6.0	1,500	(895)	605
Supply agreements	7.0	1.7	2,910	(2,217)	693
Technology	8.0	4.8	3,400	(1,346)	2,054
Non-compete agreements	6.6	3.1	1,550	(820)	730
Totals			\$ 25,910	\$ (16,572)	\$ 9,338

<i>(in thousands)</i>	September 30, 2021				
	Weighted Average Original Life (Years)	Weighted Average Remaining Life (Years)	Gross	Accumulated Amortization	Net
	Customer relationships	12.0	4.8	\$ 16,550	\$ (9,908)
Trade names	15.0	7.0	1,500	(795)	705
Supply agreements	7.0	2.7	2,910	(1,802)	1,108
Technology	8.0	5.8	3,400	(921)	2,479
Non-compete agreements	6.6	4.1	1,550	(578)	972
Totals			\$ 25,910	\$ (14,004)	\$ 11,906

Intangible asset amortization expense was \$2.6 million and \$2.9 million for the years ended September 30, 2022 and 2021, respectively.

The following table presents changes in the carrying values of intangible assets by category for the years ended September 30, 2022 and 2021:

<i>(in thousands)</i>	Customer Relationships	Trade Names	Supply Agreements	Technology	Non- Compete Agreements	Accumulated Amortization	Total, Net
Balance, September 30, 2020	\$ 16,550	\$ 1,500	\$ 4,990	\$ 3,400	\$ 1,550	\$ (13,170)	\$ 14,820
Write off fully amortized intangible assets	—	—	(2,080)	—	—	2,080	—
Amortization expense	—	—	—	—	—	(2,914)	(2,914)
Balance, September 30, 2021	\$ 16,550	\$ 1,500	\$ 2,910	\$ 3,400	\$ 1,550	\$ (14,004)	\$ 11,906
Amortization expense	—	—	—	—	—	(2,568)	(2,568)
Balance, September 30, 2022	\$ 16,550	\$ 1,500	\$ 2,910	\$ 3,400	\$ 1,550	\$ (16,572)	\$ 9,338

The following table presents expected future amortization expense as of September 30, 2022:

<i>(in thousands)</i>	Estimated Future Amortization
Fiscal 2023	\$ 2,567
Fiscal 2024	2,429
Fiscal 2025	2,116
Fiscal 2026	1,447
Thereafter	779
Total	\$ 9,338

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Accrued Expenses

The following table summarizes accrued expenses at the end of each reporting period:

<i>(in thousands)</i>	September 30,	
	2022	2021
Acquisition contingent consideration	\$ 11,200	\$ 2,500
Accrued compensation and related taxes	5,622	12,320
Legal	2,000	2,000
Medical and benefit-related payables	1,158	1,172
Other	1,348	1,216
Accrued board of director fees	30	131
Bank overdraft	—	1,366
Interest payable	—	110
Total accrued expenses	\$ 21,358	\$ 20,815

Interest, Dividend, and Other Income

The following table sets forth the composition of interest, dividend, and other income:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Interest income	\$ 855	\$ —
Dividend income	180	—
Other	8	—
Total interest, dividend, and other income	\$ 1,043	\$ —

8. INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

<i>(in thousands, except per share amounts)</i>	Year Ended September 30,	
	2022	2021
Net income (loss) from continuing operations	\$ 83,201	\$ (15,800)
Net income from discontinued operations, net of income taxes	60,851	11,157
Net income (loss)	\$ 144,052	\$ (4,643)
Income (loss) per share of common stock—basic:		
Continuing operations	\$ 2.00	\$ (0.37)
Discontinued operations	1.46	0.26
Net income (loss) per share ⁽¹⁾	\$ 3.47	\$ (0.11)
Income (loss) per share of common stock—diluted:		
Continuing operations	\$ 1.54 ⁽²⁾	\$ (0.37)
Discontinued operations	1.13	0.21
Net income (loss) per share ⁽¹⁾	\$ 2.67 ⁽²⁾	\$ (0.11)
Weighted average shares of common stock outstanding:		
Basic	41,561	42,329
Convertible debt	11,158	11,158
Warrants	1,133	920
Employee stock option grants	117	10
Diluted	53,969	54,417
Anti-dilutive shares excluded from diluted net income (loss) per share calculation:		
Employee stock option grants	450	1,310

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ The potential reduction of interest expense attributable to ALJ's convertible promissory notes "as if" converted is immaterial.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

9. DEBT

ALJ's components of debt and the respective interest rate at the end of each reporting period were as follows:

<i>(in thousands)</i>	September 30, 2022		September 30, 2021	
	Interest Rate	Balance	Interest Rate	Balance
<i>Line of credit:</i>				
PNC Revolver		\$ —	5.25%	\$ 5,490
PNC Revolver LIBOR		—	4.00	—
Ranew's Revolver	6.75%	3,000		—
Line of credit, net of deferred loan costs		\$ 3,000		\$ 5,490
<i>Current portion of term loans:</i>				
Current portion of Blue Torch Term Loan		\$ —	8.50	\$ 3,800
Less: deferred loan costs		—		(1,108)
Current portion of term loans, net of deferred loan costs		\$ —		\$ 2,692
<i>Term loans, less current portion:</i>				
Blue Torch Term Loan, less current portion		\$ —	8.50	\$ 90,250
Convertible Promissory Notes	8.25	6,026	8.25	6,026
Less: deferred loan costs		—		(2,792)
Term loans, less current portion, net of deferred loan costs		\$ 6,026		\$ 93,484
Total line of credit and term loans		\$ 9,026		\$ 101,666

Debt Transactions Executed During the Year Ended September 30, 2021

New Term Loan

In June 2021, ALJ replaced its existing term loans by entering into a new term loan ("Blue Torch Term Loan") with Blue Torch Business Finance, LLC ("Blue Torch") for an aggregate principal amount of \$95.0 million. The Blue Torch Term Loan had an original maturity date of June 29, 2025, required annual principal payments of \$3.8 million paid quarterly, included a prepayment penalty in certain instances, and was secured by substantially all the Company's assets.

Amendment and Restatement of Existing Line of Credit Revolver

In connection with the Blue Torch Term Loan, ALJ amended and restated in its entirety its existing line of credit financing agreement (as amended and restated, the "Amended PNC Revolver"). The Amended PNC Revolver provided for a total of \$32.5 million, which included (i) revolving borrowings, and (ii) the issuance of letters of credit. The letters of credit had a sublimit of \$15.0 million. The Amended PNC Revolver had an original maturity date of June 29, 2025, and was secured by substantially of the Company's assets.

Debt Transactions Executed During the Year Ended September 30, 2022

Termination of Blue Torch Term Loan

On April 1, 2022, in connection with the Faneuil Asset Sale (see Note 1), the Company paid off the Blue Torch Term Loan. ALJ's payment to Blue Torch was \$92.2 million, which satisfied all of the Company's debt obligations under the Blue Torch Term Loan ("Blue Torch Payoff"). The Company was not required to pay any prepayment premiums as a result of the repayment of indebtedness under the Blue Torch Term Loan, which provided that the mandatory prepayment made in connection with the proceeds from the Faneuil Asset Sale were exempt from such pre-payment premiums. In connection with the repayment of outstanding indebtedness by the Company, the lenders automatically and permanently released all security interests, mortgages, liens and encumbrances under the Blue Torch Term Loan.

Termination of Amended PNC Revolver

In connection with the Phoenix Sale on April 13, 2022, the Company repaid in full all outstanding indebtedness and terminated all commitments and obligations under the Amended PNC Revolver. The Company was required to pay a pre-payment premium of \$0.3 million as a result of the repayment of indebtedness under the Amended PNC Revolver. In connection with the repayment of outstanding indebtedness by the Company, the lenders automatically and permanently released all security interests, mortgages, liens and encumbrances under the Amended PNC Revolver.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Line of Credit - Ranew's Companies

As a result of the Ranew's Acquisition, see Notes 1 and 4, ALJ assumed a \$3.0 million line of credit ("Ranew's Revolver"). The Ranew's Revolver provides for a \$3.0 million revolving borrowings. The Ranew's Revolver matures on December 31, 2022 and was secured by substantially all of Ranew's Companies' accounts receivable, inventories, and property and equipment. The annual interest rate is prime plus 0.5%, with an annual interest rate floor of 3.75%.

The Company is currently negotiating an amended Ranew's LOC, which will extend the maturity date more than one year. As such, the Ranew's Revolver is disclosed as a non-current liability on the consolidated balance sheet.

Loss on Debt Extinguishment

The following table summarizes elements of ALJ's loss on debt extinguishment:

	<u>Year Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<i>(in thousands)</i>		
Deferred loan costs written off	\$ 3,556	\$ 1,171
Prepayment penalties	328	743
Total loss on debt extinguishment	<u>\$ 3,884</u>	<u>\$ 1,914</u>

Convertible Promissory Notes

In June 2021, ALJ issued convertible promissory notes in an aggregate principal amount of \$6.0 million (the "Convertible Promissory Notes") to two investors, including ALJ's Chief Executive Officer and Chairman of the Board, Jess Ravich.

The Convertible Promissory Notes accrue interest at the rate of 8.25% per year, compounded monthly with interest payable in cash quarterly in arrears on the last day of each calendar quarter on the outstanding principal balance until such principal amount is paid in full or until conversion. The principal and accrued interest owed under the Convertible Promissory Notes are convertible, at the option of the holders, into shares of the Company's common stock, at any time prior to November 28, 2023, at a conversion price equal to the quotient of all amounts due under each Convertible Promissory Note divided by the conversion rate of \$0.54 per common share.

The Convertible Promissory Notes (i) were subordinate to the Blue Torch Term Loan and the Amended PNC Revolver prior to the Blue Torch Payoff and the termination of the Amended PNC Revolver, (ii) are unsecured, and (iii) mature on November 28, 2023, subject to extension under certain circumstances.

Financial Covenant Compliance

As a result of the Blue Torch Payoff and Amended PNC Revolver termination, ALJ is no longer subject to financial covenant requirements. Ranew's Companies was in compliance with the Ranew's LOC debt covenants on September 30, 2022.

Estimated Future Minimum Principal Payments

As of September 30, 2022, estimated future minimum principal payments, excluding Ranew's Revolver, were as follows (*in thousands*):

<u>Year Ending September 30,</u>	<u>Convertible</u>
	<u>Promissory Notes</u>
2023	\$ —
2024	6,026
Total	<u>\$ 6,026</u>

10. COMMITMENTS AND CONTINGENCIES

Employment Agreements

ALJ maintains an employment agreement with its Chief Executive Officer that provides for a base salary and an annual bonus, with annual bonus amounts to be determined by the Board of Directors. The agreement also provide for involuntary termination payments, which include base salary, performance bonus, medical premiums, stock options, non-competition provisions, and other terms and

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

conditions of employment. On September 30, 2022, the contingent termination payment related to base salary and medical premiums was \$1.8 million.

Surety Bonds

Historically, as part of Faneuil's normal course of operations, certain customers required surety bonds guaranteeing the performance of a contract. During the year ended September 30, 2022, all the surety bonds were cancelled as the underlying contract was either sold as part of the Faneuil Asset Sale or ended. As such, there were no surety bonds outstanding on September 30, 2022.

Letters of Credit

The Company had letters of credit totaling \$3.5 million outstanding on September 30, 2022, which were collateralized with cash deposits totaling \$3.6 million, or 103% of the total letters of credit.

Litigation, Claims, and Assessments

Marshall v. Faneuil

On July 31, 2017, plaintiff Donna Marshall ("Marshall") filed a proposed class action lawsuit in the Superior Court of the State of California for the County of Sacramento against Faneuil and ALJ. Marshall, a previously terminated Faneuil employee, alleges various California state law employment-related claims against Faneuil. Faneuil has answered the complaint and removed the matter to the United States District Court for the Eastern District of California; however, Marshall filed a motion to remand the case back to state court, which has been granted. In connection with the above, an amended complaint was filed by certain plaintiffs to add a claim for penalties under the California Private Attorneys General Act (the "PAGA Claim"). Faneuil demurred to the PAGA Claim and it was eventually dismissed by the trial court.

A mediation was held on March 11, 2021, following which the parties negotiated a settlement agreement that has been provisionally approved by the court.

Harris v. Faneuil

Lois Harris, an employee of Faneuil in Georgia, filed a collective action complaint on April 18, 2021 in the United States District Court for the Northern District of Georgia. Harris alleges, on behalf of herself and other current and former non-exempt Call Center Agent employees who received nondiscretionary bonuses for periods in which they worked overtime hours, that Faneuil violated the Fair Labor Standards Act by failing to include nondiscretionary bonuses in the regular rate of pay when calculating the overtime rate for Harris and other similarly-situated persons. Faneuil has engaged counsel to defend it in this action. The parties negotiated a settlement agreement that has been approved by the court. The settlement is immaterial to the Company's business, consolidated financial position, results of operations or cash flows.

Jesse James Pagan et. al. v. Faneuil

On April 26, 2022, a putative class action complaint was filed against Faneuil in the United States District Court for the Eastern District of Virginia. The complaint asserts claims against Faneuil for negligence, breach of an implied contract, and unjust enrichment in connection with an alleged data breach. The proposed class includes certain former employees of Faneuil who contend their personal identifiable information was compromised in the data breach. The complaint seeks damages in excess of \$5.0 million on behalf of the putative class. Faneuil has engaged counsel to defend it in this action. The parties negotiated a settlement agreement that has been approved by the court. The settlement is immaterial to the Company's business, consolidated financial position, results of operations or cash flows.

Other Litigation

The Company has been named in, and from time to time may become named in, various other lawsuits or threatened actions that are incidental to its ordinary business. Litigation is inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time-consuming, cause the Company to incur costs and expenses, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits and actions cannot be predicted with certainty. The Company concluded as of September 30, 2022, that the ultimate resolution of these matters (including the matters described above) will not have a material adverse effect on the Company's business, consolidated financial position, results of operations or cash flows.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

11. LEASES

General

ALJ has operating leases for facilities, equipment, and vehicles, and finance leases for equipment. Over 95% of operating leases are for facilities. Many of the Company's facilities leases contain renewal options and rent escalation clauses. The Company subleases excess facility space. Sublease payments received were immaterial for all periods presented.

The Company determines if an arrangement is a lease at inception and recognizes a finance or operating lease liability and right-of-use asset in the Company's consolidated balance sheet. Right-of-use assets and lease liabilities for both operating and finance leases are recognized based on present value of lease payments over the lease term at commencement date.

In instances where the lease does not provide an implicit rate, the Company estimates an incremental borrowing rate ("IBR") based on the information available at commencement date to determine the present value of lease payments. ALJ does not have a published credit rating because it has no publicly traded debt. However, the Company does have several privately held debt instruments that were taken into consideration. The Company generates its IBR, using a synthetic credit rating model that estimates the likelihood (probability) of a borrower receiving a given credit rating based on relevant credit factors or predictor variables. It is based on a regression analysis using selected financial ratios of publicly traded industry comparable companies and the companies' credit ratings. The estimated IBR is then adjusted for (i) the length of the lease term, and (ii) the effect of designating specific collateral with a value equal to the unpaid lease payments. Finally, ALJ applies the estimated IBR on a lease-by-lease basis as each lease has different start and end dates and has different assumptions regarding purchase or renewal options.

For facilities leases, ALJ accounts for non-lease components such as maintenance, taxes, and insurance, separately. For equipment leases, ALJ accounts for lease and non-lease components as a single lease component. The difference between the operating lease right-of-use assets and operating lease liabilities primarily relates to adjustments for deferred rent and tenant improvement allowances.

Lease Impairment

The Company tests right-of-use ("ROU") assets when impairment indicators are present. During March 2022, the Company entered into an agreement to sublease excess office space, which triggered impairment testing for the underlying ROU asset. The Company performed a discounted cash flow analysis on the ROU asset and determined that the net carrying value exceeded the estimated discounted future cash flows. As a result, ALJ recorded a \$2.2 million lease impairment, which was reflected on the statement of operations for the year ended September 30, 2022.

ROU Assets and ROU Liabilities

The following table presents the location of the ROU assets and liabilities in the consolidated balance sheets and ALJ's weighted-average lease term and discount rate:

<i>(dollars in thousands)</i>	September 30, 2022	September 30, 2021
Finance Leases:		
Property and equipment, at cost	\$ 1,575	\$ 1,575
Less accumulated amortization	(1,316)	(977)
Property and equipment, net	\$ 259	\$ 598
Finance lease obligations, current portion	\$ 332	\$ 765
Finance lease obligations, less current portion	—	332
Total finance lease liabilities	\$ 332	\$ 1,097
Operating Leases:		
Operating lease right-of-use assets	\$ 40,386	\$ 29,048
Operating lease obligations - current installments	\$ 3,619	\$ 4,722
Operating lease obligations, less current installments	42,302	32,767
Total operating lease obligations	\$ 45,921	\$ 37,489
Weighted average remaining lease term (years):		
Finance	0.4	1.4
Operating	10.7	6.8
Weighted average discount rate:		
Finance	6.0%	6.0%
Operating	9.7%	0.0%

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Components of Lease Costs, Net

The following table presents the components of lease cost and the location of such cost in ALJ's consolidated statements of operations:

<i>(in thousands)</i>	Statement of Operations Location	Year Ended September 30,	
		2022	2021
Finance Leases:			
Amortization of finance lease assets	Selling, general, and administrative expense	\$ 339	\$ 813
Interest on finance lease liabilities	Interest expense	45	170
Total finance lease cost		384	983
Operating Leases:			
Operating lease cost	Selling, general, and administrative expense	4,883	6,905
Operating lease cost	Cost of revenue	510	1,272
Variable lease cost	Selling, general, and administrative expense	617	986
Short-term lease cost	Selling, general, and administrative expense	—	37
Total operating lease cost		6,010	9,200
Lease impairment	Lease impairment	2,158	—
Total lease cost, net		\$ 8,552	\$ 10,183

Supplemental Cash Flow Information

The following table presents supplemental cash flow information related to leases:

<i>(In thousands)</i>	Year Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for finance leases	\$ 45	\$ 170
Operating cash flows used for operating leases - continuing operations	3,972	3,750
Financing cash flows used for finance leases	810	2,553
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	24,717	576

Lease Maturities

Maturities of lease liabilities on September 30, 2022 were as follows *(in thousands)*:

Year Ending September 30,	Finance Leases	Operating Leases	Sublease
2023	\$ 337	\$ 7,681	\$ (771)
2024	—	7,708	(771)
2025	—	7,759	(771)
2026	—	7,588	(771)
2027	—	6,396	(66)
Thereafter	—	36,432	—
Total lease payments	337	73,564	(3,150)
Less: imputed interest	(5)	(27,643)	611
Total present value of lease payments	\$ 332	\$ 45,921	\$ (2,539)
Reported as of September 30, 2022			
Current	\$ 332	\$ 3,619	
Non-current	—	42,302	
Total	\$ 332	\$ 45,921	

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

12. EQUITY

Common Stock Activity during the Year Ended September 30, 2022

- Issued less than 0.1 million shares of common stock upon the cashless exercise of stock options.
- Issued less than 0.1 million shares of common stock to members of ALJ’s Board of Directors as compensation. See “Common Stock Awards” below for further discussion.
- Repurchased and retired 5.3 million shares of common stock. The weighted average cost was \$1.98 per share for an aggregate consideration of \$10.4 million.

Common Stock Activity during the Year Ended September 30, 2021

- Issued less than 0.1 million shares of common stock upon the cashless exercise of stock options.
- Issued 0.1 million shares of common stock to members of ALJ’s Board of Directors as compensation. See “Common Stock Awards” below for further discussion.

Preferred Stock

In August 2018, ALJ shareholders approved the amendment and restatement of ALJ’s Restated Certificate of Incorporation to eliminate the preferred stock and authorize the issuance of 5.0 million shares of blank check preferred stock. ALJ had no preferred stock outstanding on September 30, 2022 or 2021.

Equity Incentive Plans

In July 2016, ALJ shareholders approved ALJ’s Omnibus Equity Incentive Plan (“2016 Plan”), which allows ALJ and its subsidiaries to grant securities of ALJ to officers, employees, directors, or consultants. ALJ believes that equity-based compensation is fundamental to attracting, motivating, and retaining highly qualified dedicated employees who have the skills and experience required to achieve business goals. Further, ALJ believes the 2016 Plan aligns the compensation of directors, officers, and employees with shareholder interest.

The 2016 Plan is administered by ALJ’s Board of Directors. The maximum aggregate number of common stock shares that may be granted under the 2016 Plan is 2.0 million. The 2016 Plan generally provides for the grant of qualified or nonqualified stock options, restricted stock and restricted stock units, unrestricted stock, stock appreciation rights, performance awards and other awards. The Committee has full discretion to set the vesting criteria. The exercise price of a stock option may not be less than 100% of the fair market value of ALJ’s common stock on the date of grant. The 2016 Plan prohibits the repricing of outstanding stock options without prior shareholder approval. The term of stock options granted under the 2016 Plan may not exceed ten years. Awards are subject to accelerated vesting upon a change in control in the event the acquiring company does not assume the awards. The Board may amend, alter, or discontinue the 2016 Plan, but shall obtain shareholder approval of any amendment as required by applicable law or stock exchange listing requirements. As of September 30, 2022, there were 1.2 million options available for future grant under the 2016 Plan.

Stock-Based Compensation

The following table sets forth the total stock-based compensation expense included in selling, general, and administrative expense on the statements of operations:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Stock options	\$ 89	\$ 58
Common stock awards	79	105
Total stock-based compensation expense	\$ 168	\$ 163

On September 30, 2022, ALJ had \$0.1 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of approximately 2.0 years.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Stock Option Activity and Outstanding

The following table summarizes stock option activity during the years ended September 30, 2022 and 2021:

	Number of Options	Weighted-Average Exercise Price
Outstanding on September 30, 2020	1,849,000	\$ 3.09
Exercised	(134,000)	1.00
Forfeited or expired	(390,000)	1.99
Granted	100,000	1.24
Outstanding on September 30, 2021	1,425,000	3.45
Exercised	(15,000)	0.88
Forfeited or expired	(860,000)	4.05
Granted	200,000	1.10
Outstanding on September 30, 2022	750,000	2.20
Vested or Expected to Vest on September 30, 2022	750,000	\$ 2.20

The following table summarizes all options outstanding and exercisable by price range as of September 30, 2022:

Range of Exercise Price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable	Weighted- Average Exercise Price
\$0.88 - \$1.24	300,000	9.02	\$ 1.15	133,333	\$ 1.13
\$2.10 - \$3.33	450,000	5.19	2.90	450,000	2.90
Total	750,000	6.72	2.20	583,333	2.49

The “intrinsic value” of options is the excess of the value of ALJ stock over the exercise price of such options. The total intrinsic value of options outstanding (of which all are vested or expected to vest) was \$0.2 million and less than \$0.1 million on September 30, 2022 and 2021, respectively. The total intrinsic value of options exercised was less than \$0.1 million for both the year ended September 30, 2022 and 2021.

Common Stock Awards. Members of ALJ’s Board of Directors receive a director compensation package that includes an annual common stock award. In connection with such awards, ALJ recorded stock-based compensation expense of \$0.1 million for both the year ended September 30, 2022 and 2021.

Common Stock Options and Warrants Outstanding on September 30, 2022

On September 30, 2022, ALJ had 0.8 million stock options with a weighted average exercise price of \$2.20 outstanding and warrants exercisable to purchase 1.6 million shares of common stock with a weighted average exercise price of \$0.56 outstanding.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

13. INCOME TAX

Income (loss) before income taxes and the provision for income taxes for the years ended September 30, 2022 and 2021 consisted of the following:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Income (loss) from continuing operations before income taxes	\$ 87,111	\$ (15,793)
Provision for income taxes:		
Current:		
Federal	—	—
State	(4,194)	(142)
Total provision for current income taxes	(4,194)	(142)
Deferred:		
Federal	389	(126)
State	(105)	261
Total benefit from deferred income taxes	284	135
Total provision for income taxes	\$ (3,910)	\$ (7)
Effective tax rate	4.5%	0.0%

The difference between the statutory federal income tax rate and the effective tax rate for the years ended September 30, 2022 and 2021 was as follows:

	Year Ended September 30,	
	2022	2021
Statutory federal income tax rate	21.0%	21.0%
Increase (reduction) in rate resulting from:		
Change in valuation allowance	(30.1)	(35.6)
Prior-year adjustments	8.2	14.0
Permanent differences	—	0.1
State tax, net of federal benefit	5.6	0.5
Change in corporate tax rate	(0.2)	1.0
Tax credits and other	—	(1.0)
Effective tax rate	4.5%	0.0%

Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled.

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Significant components of the Company's deferred tax assets and liabilities on September 30, 2022 and 2021 were as follows:

<i>(in thousands)</i>	Year Ended September 30,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforward	\$ 287	\$ 28,798
Accrued expenses and other	1,979	4,185
Work opportunity tax credit carryforwards	—	608
Deferred revenue	—	95
Operating lease obligations	5,829	9,654
Intangible assets	1,475	—
Land and depreciable assets	—	279
Allowance for doubtful accounts	—	21
Gross deferred tax assets	9,570	43,640
Less: valuation allowance	(696)	(35,272)
Net deferred tax assets	8,874	8,368
Deferred tax liabilities:		
Intangible assets	—	(1,719)
Qualified Opportunity Fund – gain deferral	(5,083)	—
Land and depreciable assets	(503)	—
Operating lease right-of-use assets	(4,422)	(7,480)
Prepaid expenses	(19)	(21)
Total deferred tax liabilities	(10,027)	(9,220)
Net deferred tax liabilities	\$ (1,153)	\$ (852)

The net deferred tax liabilities were recorded as non-current liabilities on September 30, 2022 and 2021.

Open Tax Returns, Deferred Tax Assets, and Net Operating Loss Carryforward

The Company files income tax returns in the U.S. federal jurisdiction and various states. The years still open to audit under the applicable statutes of limitations are June 30, 2020 through June 30, 2022 for federal tax purposes and June 30, 2019 through June 30, 2022 for state tax purposes. Tax years ending June 30, 2002 through June 30, 2009 generated a federal net operating loss carryforward (which was utilized in the tax year ending June 30, 2022) and remain subject to examination. The amount of any tax assessments and penalties may be material and may negatively impact the Company's operations. Given the uncertainty in the amount and the difficulty in estimating the probability of the assessments arising from future tax examinations, the Company has not made any accruals for such tax contingencies. No tax returns are currently under examination by any tax authorities.

As of September 30, 2022, the Company's deferred tax assets were primarily the result of operating lease obligations and accrued expenses. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's assessment with regard to future realization of deferred tax assets. Based on the assessment, management believes it is more likely than not that certain deferred tax assets will not be fully realized. As a result, management established a valuation allowance against such deferred tax assets for the amount that will likely not be realized.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2022 and 2021, the Company does not have a liability for uncertain tax positions. Additionally, the Company does not anticipate that there will be a material change of unrecognized tax benefits within the next 12 months.

At September 30, 2022, the Company has NOL carryforwards for federal income tax purposes of approximately \$1.3 million that do not expire. In addition, the use of this NOL in future years may be restricted under Section 382 of the IRC if there is a change of ownership.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side payroll tax, net

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

operating loss carryback periods, alternative minimum tax credit refunds, and modifications to the net interest deduction limitations. On September 30, 2022, the Company had deferred payroll taxes of \$3.6 million, which was included with other current liabilities on the consolidated balance sheet.

In April 2022, the Company recognized a taxable gain of \$107.4 million from the sale of certain net assets of Faneuil's tolling and transportation vertical and health benefit exchange vertical. In September 2022, the Company elected to defer \$20.0 million of this gain by investing in a Qualified Opportunity Fund ("QOF"). The deferred gain will be recognized in the period ending December 31, 2026 (or earlier if the investment is reduced or terminated).

ALJ recorded a provision for income taxes for discontinued operations of \$8.4 million and \$0.4 million during the year ended September 30, 2022 and 2021, respectively.

14. RANSOMWARE INCIDENT

On August 18, 2021, Faneuil detected a ransomware attack ("Security Event") that accessed and encrypted certain files on certain servers utilized by Faneuil in the provision of its call center services.

Promptly upon detection of the Security Event, Faneuil launched an investigation, engaged legal counsel and other incident response professionals, and notified law enforcement. Faneuil immediately implemented a series of containment and remediation measures to address this situation and reinforce the security of information technology systems. Faneuil worked with industry-leading cybersecurity professionals to immediately respond to the threat, defend information technology systems, and conduct remediation.

Although Faneuil quickly and actively managed the Security Event, such event caused disruption to parts of Faneuil's business, including certain aspects of its provision of call center services. Faneuil carries insurance, including cyber insurance, commensurate with the size and the nature of its operations. Although Faneuil actively communicated with customers and worked to minimize disruption, Faneuil cannot guarantee that customer relationships were not harmed as a result of the Security Event.

Faneuil incurred \$0.2 million and \$2.8 million of Security Event related expenses, recorded mostly in selling, general, and administrative expense during the years ended September 30, 2022 and 2021, respectively. As of September 30, 2022, Faneuil's insurance recovery receivable was approximately \$0.8 million, included with other current assets on the consolidated balance sheet, for amounts that are considered probable for recovery. The insurance proceeds are expected to be received before December 31, 2022.

Should Faneuil expect to receive additional insurance recoveries, above the \$0.8 million insurance recovery receivable on September 30, 2022, they will be recorded when considered probable for recovery.

15. REPORTABLE SEGMENTS AND GEOGRAPHIC INFORMATION

Reportable Segments

As discussed in Note 1, ALJ has organized its business along three reportable segments (Faneuil, Vistio, and Ranew's Companies), together with a corporate group for certain support services. ALJ's operating segments are aligned on the basis of products, services, and industry. The Chief Operating Decision Maker ("CODM") is ALJ's Chief Executive Officer. The CODM manages the business, allocates resources to, and assesses the performance of each operating segment using information about its net revenue and segment adjusted EBITDA. ALJ defines segment adjusted EBITDA as segment net income (loss) before depreciation and amortization expense, interest expense, litigation loss, recovery of litigation loss, restructuring and cost reduction initiatives, loan amendment expenses, fair value of warrants issued in connection with loan amendments, stock-based compensation, acquisition-related expenses, gain on disposal of assets, net, income taxes, loss on debt extinguishment, and other non-recurring items. Such amounts are detailed in ALJ's segment reconciliation below. All intercompany revenue and cost of revenue was eliminated during consolidation and are not presented in the table below. The accounting policies for segment reporting are the same as for ALJ as a whole.

The following tables present ALJ's segment information as of or for the years ended September 30, 2022 and 2021:

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Year Ended September 30, 2022

<i>(in thousands)</i>	Year Ended September 30, 2022				
	Faneuil	Vistio	Ranew's Companies	ALJ Corporate	Consolidated
Total assets	\$ 66,215	\$ 3,099	\$ 69,394	\$ 110,478	\$ 249,186
Total revenue	\$ 241,381	\$ 1,159	\$ —	\$ —	\$ 242,540
Segment adjusted EBITDA - continuing operations	\$ (1,568)	\$ (887)	\$ —	\$ (7,560)	\$ (10,015)
Depreciation and amortization					(10,964)
Provision for income taxes					(3,910)
Interest expense					(5,479)
Loss on debt extinguishment					(3,884)
Lease impairment					(2,158)
Acquisition/disposition-related expenses					(1,652)
Restructuring and cost reduction initiatives					(772)
Change in fair value of contingent consideration					(300)
Security Event expenses					(171)
Stock-based compensation					(168)
Interest income					1,043
Gain on sale of assets and other					121,631
Net income from continuing operations					83,201
Net income from discontinued operations, net of income taxes					60,851
Net income					\$ 144,052

Year Ended September 30, 2021

<i>(in thousands)</i>	Year Ended September 30, 2021			
	Faneuil	Vistio	ALJ Corporate	Consolidated
Total assets	\$ 129,680	\$ 3,353	\$ 81,620	\$ 214,653
Total revenue	\$ 325,226	\$ —	\$ —	\$ 325,226
Segment adjusted EBITDA - continuing operations	\$ 23,498	\$ (4,166)	\$ (5,999)	\$ 13,333
Depreciation and amortization				(14,073)
Interest expense				(10,190)
Loss on debt extinguishment				(1,914)
Change in fair value of contingent consideration				(1,200)
Bank fees accreted to term loans				(900)
Acquisition/disposition-related expenses				(176)
Restructuring and cost reduction initiatives				(143)
Security Event expenses				(236)
Loan amendment expenses				(131)
Provision for income taxes				(7)
Stock-based compensation				(163)
Net loss from continuing operations				(15,800)
Net income from discontinued operations, net of income taxes				11,157
Net loss				\$ (4,643)

Geographic Information

Substantially all of the Company's assets were located in the United States. Substantially all of the Company's revenue was earned in

ALJ REGIONAL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

the United States.

16. SUBSEQUENT EVENT

Stock Repurchase and Retirement

In October 2022, ALJ repurchased and retired 0.9 million shares of common stock. The weighted average cost was \$1.94 per share for an aggregate consideration of \$1.7 million.

BEFORE COMPLETING THIS LETTER OF TRANSMITTAL, YOU SHOULD READ THIS LETTER OF TRANSMITTAL AND THE ACCOMPANYING INSTRUCTIONS CAREFULLY. IF YOU WOULD LIKE ADDITIONAL COPIES OF THIS LETTER OF TRANSMITTAL OR ANY OF THE OTHER OFFERING DOCUMENTS, YOU SHOULD CONTACT THE INFORMATION AGENT, OKAPI PARTNERS LLC, TOLL FREE AT (888) 785-6709. BANKERS AND BROKERS MAY CALL (212) 297-0720.

You have received this Letter of Transmittal in connection with the offer of ALJ Regional Holdings Inc., a Delaware corporation ("Purchaser") to purchase shares of common stock, par value \$0.01 per share (the "Shares"), at a price not greater than \$2.00 or less than \$1.84 net to the seller in cash, without interest and less any applicable withholding taxes, as described in the Offer to Purchase, dated December 1, 2022 (as it may be amended or supplemented from time to time, the "Offer to Purchase" and, together with this Letter of Transmittal, as it may be amended or supplemented from time to time, the "Offer").

You should use this Letter of Transmittal to deliver to American Stock Transfer & Trust Company (the "Depository") Shares represented by stock certificates, or held in book-entry form on the books of the Company, for tender. If you are delivering your Shares by book-entry transfer to an account maintained by the Depository at The Depository Trust Company ("DTC"), you must use an Agent's Message (as defined in Instruction 2 below). In this Letter of Transmittal, stockholders who deliver certificates representing their Shares are referred to as "Certificate Stockholders," and stockholders who deliver their Shares through book-entry transfer are referred to as "Book-Entry Stockholders."

Delivery of documents to DTC will not constitute delivery to the Depository.

- CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC AND COMPLETE THE FOLLOWING (ONLY FINANCIAL INSTITUTIONS THAT ARE PARTICIPANTS IN DTC MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER):**

Name of Tendering
Institution: _____

DTC Participant
Number: _____

Transaction Code
Number: _____

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.**

CHECK ONLY ONE BOX. IF YOU CHECK MORE THAN ONE BOX, OR IF YOU DO NOT CHECK ANY BOX, YOU WILL HAVE FAILED TO VALIDLY TENDER ANY SHARES.

**SHARES TENDERED AT PRICE DETERMINED
PURSUANT TO THE TENDER OFFER
(SEE INSTRUCTION 5)**

- The undersigned wants to maximize the chance of having the Company purchase all shares the undersigned is tendering (subject to the possibility of proration). Accordingly, by checking this **ONE** box **INSTEAD OF ONE OF THE PRICE BOXES BELOW**, the undersigned hereby tenders shares and is willing to accept the purchase price determined by the Company pursuant to the terms of the tender offer (the "Purchase Price"). This action could result in receiving a price per share as low as \$1.84.

**SHARES TENDERED AT PRICE DETERMINED
BY STOCKHOLDER
(SEE INSTRUCTION 5)**

By checking **ONE** of the boxes below **INSTEAD OF THE BOX ABOVE**, the undersigned hereby tenders shares at the price checked. This action could result in none of such shares being purchased if the Purchase Price is less than the price checked below. A stockholder who desires to tender shares at more than one price must complete a separate Letter of Transmittal for each price at which the stockholder tenders shares. You cannot tender the same shares at more than one price, unless you have previously validly withdrawn those shares tendered at a different price in accordance with Section 4 of the Offer to Purchase.

Price (in Dollars) Per Share at Which Shares Are Being Tendered

- | | | | | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <input type="checkbox"/> \$1.84 | <input type="checkbox"/> \$1.85 | <input type="checkbox"/> \$1.86 | <input type="checkbox"/> \$1.87 | <input type="checkbox"/> \$1.88 |
| <input type="checkbox"/> \$1.89 | <input type="checkbox"/> \$1.90 | <input type="checkbox"/> \$1.91 | <input type="checkbox"/> \$1.92 | <input type="checkbox"/> \$1.93 |
| <input type="checkbox"/> \$1.94 | <input type="checkbox"/> \$1.95 | <input type="checkbox"/> \$1.96 | <input type="checkbox"/> \$1.97 | <input type="checkbox"/> \$1.98 |
| | <input type="checkbox"/> \$1.99 | | <input type="checkbox"/> \$2.00 | |

**You WILL NOT have validly tendered your shares
unless you check ONE AND ONLY ONE BOX ON THIS PAGE.**

ODD LOTS
(SEE INSTRUCTION 6)

To be completed only if shares are being tendered by or on behalf of a person owning, beneficially or of record, an aggregate of fewer than 100 shares.

On the date hereof, the undersigned either (check **ONE** box):

- is the beneficial or record owner of an aggregate of fewer than 100 shares and is tendering all of those shares; or
- is a broker, dealer, commercial bank, trust company or other nominee that (i) is tendering, for the beneficial owner(s) thereof, shares with respect to which it is the record holder, and (ii) believes, based upon representations made to it by such beneficial owner(s), that each such person was the beneficial owner of an aggregate of fewer than 100 shares and is tendering all of such shares.

In addition, the undersigned is tendering shares (check **ONE** box):

- at the Purchase Price, which will be determined by the Company in accordance with the terms of the Tender Offer (persons checking this box should check the box under the heading “Shares Tendered at Price Determined Pursuant to the Tender Offer”); or
- at the price per share indicated under the heading “Shares Tendered at Price Determined by Stockholder.”

**CONDITIONAL TENDER
(SEE INSTRUCTION 11)**

A tendering stockholder may condition his or her tender of shares upon the Company purchasing a specified minimum number of the shares tendered, as described in Section 6 of the Offer to Purchase. Unless the Company purchases at least the minimum number of shares you indicate below pursuant to the terms of the Tender Offer, the Company will not purchase any of the shares tendered below. It is the tendering stockholder's responsibility to calculate that minimum number, and we urge each stockholder to consult his or her own tax advisor in doing so. Unless you check the box immediately below and specify, in the space provided, a minimum number of shares that the Company must purchase from you if the Company purchases any shares from you, the Company will deem your tender unconditional.

- The minimum number of shares that the Company must purchase from me if the Company purchases any shares from me, is: _____ shares.

If, because of proration, the Company will not purchase the minimum number of shares from you that you designate, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, the tendering stockholder must have tendered all of his or her shares. To certify that you are tendering all of the shares you own, check the box below.

- The tendered shares represent all shares held by the undersigned.

Ladies and Gentlemen:

The undersigned hereby tenders to ALJ Regional Holdings, Inc., a Delaware corporation (the "**Company**"), the above-described shares of the Company's common stock, par value \$0.01 per share. The tender of the shares is being made at the price per share indicated in this Letter of Transmittal, net to the seller in cash, less applicable withholding taxes and without interest, on the terms and subject to the conditions set forth in this Letter of Transmittal and in the Company's Offer to Purchase, dated December 1, 2022 (which together, as they may be amended or supplemented from time to time, constitute the "**Tender Offer**"), receipt of which is hereby acknowledged.

On the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), subject to, and effective upon, acceptance for payment and payment for the Shares validly tendered herewith, and not properly withdrawn, prior to the Expiration Date in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser, all right, title and interest in and to all of the Shares being tendered hereby and any and all cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect of such Shares on or after the date hereof (collectively, "Distributions"). In addition, the undersigned hereby irrevocably appoints American Stock Transfer & Trust Company, LLC (the "Depository") the true and lawful agent and attorney-in-fact and proxy of the undersigned with respect to such Shares and any Distributions with full power of substitution (such proxies and power of attorney being deemed to be an irrevocable power coupled with an interest in the tendered shares) to the full extent of such stockholder's rights with respect to such Shares and any Distributions (a) to deliver certificates representing Shares (the "Share Certificates") and any Distributions, or transfer of ownership of such Shares and any Distributions on the account books maintained by DTC, together, in either such case, with all accompanying evidence of transfer and authenticity, to or upon the order of Purchaser, (b) to present such Shares and any Distributions for transfer on the books of the Company, and (c) to receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and any Distributions, all in accordance with the terms and subject to the conditions of the Offer.

The undersigned hereby irrevocably appoints each of the designees of Purchaser the attorneys-in-fact and proxies of the undersigned, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered hereby which have been accepted for payment and with respect to any Distributions. The designees of Purchaser will, with respect to the Shares and any associated Distributions for which the appointment is effective, be empowered to exercise all voting and any other rights of such stockholder, as they, in their sole discretion, may deem proper at any annual, special, adjourned or postponed meeting of the Company's stockholders, by written consent in lieu of any such meeting or otherwise. This proxy and power of attorney shall be irrevocable and coupled with an interest in the tendered Shares. Such appointment is effective when, and only to the extent that, Purchaser accepts the Shares tendered with this Letter of Transmittal for payment pursuant to the Offer. Upon the effectiveness of such appointment, without further action, all prior powers of attorney, proxies and consents given by the undersigned with respect to such Shares and any associated Distributions will be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given (and, if given, will not be deemed effective). Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's acceptance for payment of such Shares, Purchaser must be able to exercise full voting, consent and other rights, to the extent permitted under applicable law, with respect to such Shares and any associated Distributions, including voting at any meeting of stockholders or executing a written consent concerning any matter.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares and any Distributions tendered hereby and, when the same are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claim. The undersigned hereby represents and warrants that the undersigned is the registered owner of the Shares, or the Share Certificate(s) have been endorsed to the undersigned in blank, or the undersigned is a participant in DTC whose name appears on a security position listing as the owner of the Shares. The undersigned will, upon request, execute and deliver any additional documents deemed by the Depository or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares and any Distributions tendered hereby. In addition, the undersigned shall promptly remit and transfer to the Depository for the account of Purchaser any and all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer and, pending such remittance or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of any such Distributions and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser in its sole discretion.

It is understood that the undersigned will not receive payment for the Shares unless and until the Shares are accepted for payment and until the Share Certificate(s) owned by the undersigned are received by the Depository at the address set forth above, together with such additional documents as the Depository may require, or, in the case of Shares held in book-entry form, ownership of Shares is validly transferred on the account books maintained by DTC, and until the same are processed for payment by the Depository.

IT IS UNDERSTOOD THAT THE METHOD OF DELIVERY OF THE SHARES, THE SHARE CERTIFICATE(S) AND ALL OTHER REQUIRED DOCUMENTS (INCLUDING DELIVERY THROUGH DTC) IS AT THE OPTION AND RISK OF THE UNDERSIGNED AND THAT THE RISK OF LOSS OF SUCH SHARES, SHARE CERTIFICATE(S) AND OTHER DOCUMENTS SHALL PASS ONLY AFTER THE DEPOSITARY HAS ACTUALLY RECEIVED THE SHARES OR SHARE CERTIFICATE(S) (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION (AS DEFINED BELOW)). IF DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT ALL SUCH DOCUMENTS BE SENT BY PROPERLY INSURED REGISTERED MAIL WITH RETURN RECEIPT REQUESTED. DELIVERY WILL BE DEEMED EFFECTIVE AND RISK OF LOSS AND TITLE WILL PASS FROM THE OWNER ONLY WHEN RECEIVED BY THE DEPOSITARY. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

All authority conferred or agreed to be conferred pursuant to this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, trustees in bankruptcy, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that the acceptance for payment by Purchaser of Shares tendered pursuant to one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

The name(s) and address(es) of the registered holder(s) should be printed, if they are not already printed above, exactly as they appear on the certificates representing shares tendered hereby. The certificate numbers, the number of shares represented by such certificates, and the number of shares that the undersigned wishes to tender, should be set forth in the appropriate boxes above. The price at which the shares are being tendered should be indicated in the appropriate box above.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price in the name(s) of, and/or return any Share Certificates representing Shares not tendered or accepted for payment to, the registered owner(s) appearing under "Description of Shares Tendered." Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any Share Certificates representing Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the address(es) of the registered owner(s) appearing under "Description of Shares Tendered." In the event that both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or issue any Share Certificates representing Shares not tendered or accepted for payment (and any accompanying documents, as appropriate) in the name of, and deliver such check and/or return such Share Certificates (and any accompanying documents, as appropriate) to, the person or persons so indicated. Unless otherwise indicated herein in the box titled "Special Payment Instructions," please credit any Shares tendered hereby or by an Agent's Message and delivered by book-entry transfer, but which are not purchased, by crediting the account at DTC designated above. The undersigned recognizes that Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered owner thereof if Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(See Instructions 1, 4, 8 and 10)

To be completed ONLY if Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price in consideration of Shares accepted for payment are to be issued in the name of someone other than the undersigned or if Shares tendered by book-entry transfer which are not accepted for payment are to be returned by credit to an account maintained at DTC other than that designated above.

Issue: Check and/or Share Certificates to:

Name: _____
(Please Print)

Address: _____

_____ **(Include Zip Code)**

_____ **(Tax Identification or Social Security Number)**

Credit Shares tendered by book-entry transfer that are not accepted for payment to the DTC account set forth below.

_____ **(DTC Account Number)**

SPECIAL DELIVERY INSTRUCTIONS
(See Instructions 1, 4, 8 and 10)

To be completed ONLY if Share Certificate(s) not tendered or not accepted for payment and/or the check for the purchase price of Shares accepted for payment are to be sent to someone other than the undersigned or to the undersigned at an address other than that shown in the box titled "Description of Shares Tendered" above.

Deliver: Check(s) and/or Share Certificates to:

Name: _____
(Please Print)

Address: _____

_____ **(Include Zip Code)**

IMPORTANT—SIGN HERE
(U.S. Holders Please Also Complete the Enclosed IRS Form W-9)
(Non-U.S. Holders Please Obtain and Complete IRS Form W-8BEN or Other Applicable IRS Form W-8)

(Signature(s) of Stockholder(s))

Dated: _____, 2022

(Must be signed by registered owner(s) exactly as name(s) appear(s) on Share Certificate(s) or on a security position listing or by person(s) authorized to become registered owner(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please set forth full title and see Instruction 8. For information concerning signature guarantees, see Instruction 1.)

Name(s): _____
(Please Print)

Capacity (full title): _____

Address: _____

(Include Zip Code)

Area Code and Telephone Number: _____

Email Address: _____

Tax Identification or
Social Security No.: _____

GUARANTEE OF SIGNATURE(S)
(For use by Eligible Institutions only;
see Instructions 1 and 8)

Name of Firm: _____

(Include Zip Code)

Authorized Signature: _____

Name: _____

(Please Type or Print)

Area Code and Telephone Number: _____

Dated: _____, 2022

Place medallion guarantee in space below:

INSTRUCTIONS
Forming Part of the Terms and Conditions of the Offer

1. **Guarantee of Signatures.** Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program and the Stock Exchanges Medallion Program (each, an "Eligible Institution"). Signatures on this Letter of Transmittal need not be guaranteed (a) if this Letter of Transmittal is signed by the registered owner(s) (which term, for purposes of this document, includes any participant in any of DTC's systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith and such registered owner has not completed the box titled "Special Payment Instructions" or the box titled "Special Delivery Instructions" on this Letter of Transmittal or (b) if such Shares are tendered for the account of an Eligible Institution. See Instruction 8.

2. **Delivery of Letter of Transmittal and Certificates or Book-Entry Confirmations.** This Letter of Transmittal is to be completed by stockholders if Share Certificates are to be forwarded herewith. If tenders are to be made pursuant to the procedures for tender by book-entry transfer set forth in Section 3 of the Offer to Purchase, an Agent's Message must be utilized. A manually executed facsimile of this document may be used in lieu of the original. Share Certificates representing all physically tendered Shares, or confirmation of any book-entry transfer into the Depository's account at DTC of Shares tendered by book-entry transfer ("Book-Entry Confirmation"), as well as this Letter of Transmittal properly completed and duly executed with any required signature guarantees, or an Agent's Message in the case of a book-entry transfer, and any other documents required by this Letter of Transmittal, must be received by the Depository at its address set forth herein prior to the Expiration Date. Please do not send your Share Certificates directly to the Company.

A properly completed and duly executed Letter of Transmittal (or facsimile thereof) must accompany each such delivery of Share Certificates to the Depository.

The term "Agent's Message" means a message, transmitted through electronic means by DTC to, and received by, the Depository and forming part of a Book-Entry Confirmation, which states that DTC has received an express acknowledgment from the participant in DTC tendering the Shares which are the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of this Letter of Transmittal and that Purchaser may enforce such agreement against the participant. The term "Agent's Message" also includes any hard copy printout evidencing such message generated by a computer terminal maintained at the Depository's office.

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

THE METHOD OF DELIVERY OF THE SHARES, THIS LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH DTC, IS AT THE ELECTION AND RISK OF THE TENDERING STOCKHOLDER. DELIVERY OF ALL SUCH DOCUMENTS WILL BE DEEMED MADE AND RISK OF LOSS OF THE SHARE CERTIFICATES SHALL PASS ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY (INCLUDING, IN THE CASE OF A BOOK-ENTRY TRANSFER, BY BOOK-ENTRY CONFIRMATION). IF SUCH DELIVERY IS BY MAIL, IT IS RECOMMENDED THAT ALL SUCH DOCUMENTS BE SENT BY PROPERLY INSURED REGISTERED MAIL WITH RETURN RECEIPT REQUESTED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Except as specifically permitted by Section 6 of the Offer to Purchase, no alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

All questions as to validity, form and eligibility (including time of receipt) of the surrender of any Share Certificate hereunder, including questions as to the proper completion or execution of any Letter of Transmittal or other required documents and as to the proper form for transfer of any certificate of Shares, will be determined by Purchaser in its sole and absolute discretion (which may delegate power in whole or in part to the Depository) which determination will be final and binding. Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of or payment for which may be unlawful. Purchaser also reserves the absolute right to waive any defect or irregularity in the surrender of any Shares or Share Certificate(s) whether or not similar defects or irregularities are waived in the case of any other stockholder. A surrender will not be deemed to have been validly made until all defects and irregularities have been cured or waived. The Depository shall make reasonable efforts to notify any person of any defect in any Letter of Transmittal submitted to the Depository.

3. **Inadequate Space.** If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate schedule attached hereto and separately signed on each page thereof in the same manner as this Letter of Transmittal is signed.

4. **Partial Tenders (Applicable to Certificate Stockholders Only).** If fewer than all the Shares evidenced by any Share Certificate delivered to the Depository are to be tendered, fill in the number of Shares which are to be tendered in the column titled "Number of Shares Tendered" in the box titled "Description of Shares Tendered." In such cases, new certificate(s) for the remainder of the Shares that were evidenced by the old certificate(s) but not tendered will be sent to the registered owner, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by Share Certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

5. **Indication of Price at Which Shares are Being Tendered.** In order to validly tender your shares by this Letter of Transmittal, you must either

a. check the box under "SHARES TENDERED AT PRICE DETERMINED PURSUANT TO THE TENDER OFFER" in order to maximize the chance of having the Company purchase all of the shares that you tender (subject to the possibility of proration); OR

b. check one of the boxes indicating the price per share at which you are tendering shares in the section entitled "SHARES TENDERED AT PRICE DETERMINED BY STOCKHOLDER."

YOU MUST CHECK ONE, AND ONLY ONE, BOX. If you check more than one box or no boxes, then you will be deemed not to have validly tendered your shares. **If you wish to tender portions of your different share holdings at different prices, you must complete a separate Letter of Transmittal for each price at which you wish to tender each such portion of your share holdings.** You cannot tender the same shares at more than one price (unless, prior to tendering previously tendered shares at a new price, you validly withdrew those shares in accordance with Section 4 of the Offer to Purchase).

By checking the box under "Shares Tendered at Price Determined Pursuant to the Tender Offer" you agree to accept the Purchase Price resulting from the tender offer process, which may be as low as \$1.84 or as high as \$2.00 per share. By checking a box under "Shares Tendered at Price Determined by Stockholder," you acknowledge that doing so could result in none of the shares you tender being purchased if the Purchase Price for the shares turns out to be less than the price you selected.

6. **Odd Lots.** As described in Section 1 of the Offer to Purchase, if the Company purchases fewer than all shares properly tendered before the expiration date and not properly withdrawn, the Company will first purchase all shares tendered by any stockholder who (a) owns, beneficially or of record, an aggregate of fewer than 100 shares, and (b) tenders all of his or her shares at or below the Purchase Price. You will only receive this preferential treatment if you own fewer than 100 shares and tender ALL of the shares you own at or below the Purchase Price. Even if you otherwise qualify for "odd lot" preferential treatment, you will not receive such preference unless you complete the section entitled "Odd Lots" in this Letter of Transmittal.

7. **Order of Purchase in the Event of Proration.** As described in Section 1 of the Offer to Purchase, stockholders may specify the order in which their shares are to be purchased in the event that, as a result of proration or otherwise, the Company purchases some but not all of the tendered shares pursuant to the terms of the tender offer. The order of purchase may have an effect on the federal income tax treatment of any gain or loss or dividend income on the shares that the Company purchases. See Sections 1, 6 and 14 of the Offer to Purchase.

8. **Signatures on Letter of Transmittal; Stock Powers and Endorsements.** If this Letter of Transmittal is signed by the registered owner(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificate(s) without alteration or any other change whatsoever.

If any Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in the names of different holder(s), it will be necessary to complete, sign and submit as many separate Letters of Transmittal (or facsimiles thereof) as there are different registrations of such Shares.

If this Letter of Transmittal or any certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and proper evidence satisfactory to Purchaser of their authority so to act must be submitted.

If this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsements of Share Certificates or separate stock powers are required unless payment is to be made to, or Share Certificates

representing Shares not tendered or accepted for payment are to be issued in the name of, a person other than the registered owner(s), in which case the Share Certificates representing the Shares tendered by this Letter of Transmittal must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered owner(s) or holder(s) appear(s) on the Share Certificates. Signatures on such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner(s) of the Share(s) listed, the Share Certificate(s) must be endorsed or accompanied by the appropriate stock powers, in either case, signed exactly as the name or names of the registered owner(s) or holder(s) appear(s) on the Share Certificate(s). Signatures on such Share Certificates or stock powers must be guaranteed by an Eligible Institution.

9. Transfer Taxes. Purchaser will pay any transfer taxes with respect to the transfer and sale of Shares to it or to its order pursuant to the Offer (for the avoidance of doubt, transfer taxes do not include U.S. federal income or backup withholding taxes). If, however, payment of the purchase price is to be made to, or (in the circumstances permitted hereby) if Share Certificates not tendered or accepted for payment are to be registered in the name of, any person other than the registered owner(s), or if tendered Share Certificates are registered in the name of any person other than the person signing this Letter of Transmittal, the amount of any transfer taxes (whether imposed on the registered owner(s) or such person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes, or exemption therefrom, is submitted.

Except as provided in this Instruction 9, it will not be necessary for transfer tax stamps to be affixed to the Share Certificates listed in this Letter of Transmittal.

10. Special Payment and Delivery Instructions. If a check for the purchase price is to be issued, and/or Share Certificates representing Shares not tendered or accepted for payment are to be issued or returned to, a person other than the signer(s) of this Letter of Transmittal or to an address other than that shown in the box titled "Description of Shares Tendered" above, the appropriate boxes on this Letter of Transmittal should be completed. Stockholders delivering Shares tendered hereby or by Agent's Message by book-entry transfer may request that Shares not purchased be credited to an account maintained at DTC as such stockholder may designate in the box titled "Special Payment Instructions" herein. If no such instructions are given, all such Shares not purchased will be returned by crediting the same account at DTC as the account from which such Shares were delivered.

11. Conditional Tenders. As described in Sections 1 and 6 of the Offer to Purchase, stockholders may condition their tenders on the Company purchasing all of their shares, or specify a minimum number of shares that the Company must purchase for the tender of any of their shares to be effective. If you wish to make a conditional tender you must indicate this choice in the box entitled "Conditional Tender" in this Letter of Transmittal; and you must calculate and appropriately indicate, in the space provided, the minimum number of shares that the Company must purchase if the Company purchases any shares.

As discussed in Sections 1 and 6 of the Offer to Purchase, proration may affect whether the Company accepts conditional tenders. Proration may result in all of the shares tendered pursuant to a conditional tender being deemed to have been withdrawn, if the Company could not purchase the minimum number of shares required to be purchased by the tendering stockholder due to proration. If, because of proration, the Company will not purchase the minimum number of shares that you designate, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, you must have tendered all of your shares and must have checked the box so indicated. Upon selection by random lot, if any, the Company will limit its purchase in each case to the designated minimum number of shares.

If you are an "odd lot" holder and you tender all of your shares, you cannot conditionally tender such shares, since these shares will not be subject to proration.

All tendered shares will be deemed unconditionally tendered unless the "Conditional Tender" box is checked and appropriately completed. When deciding whether to tender shares conditionally, we urge each stockholder to consult his or her own tax advisor.

12. Backup Withholding. Under U.S. federal income tax laws, the Depository will be required to withhold a portion of the amount of any payments made to certain stockholders pursuant to the Offer. In order to avoid such backup withholding, each tendering stockholder or payee that is a United States person (for U.S. federal income tax purposes), must provide the Depository with such stockholder's or payee's correct taxpayer identification number ("TIN") and certify that such stockholder or payee is not subject to such backup withholding by completing the attached Form W-9. Certain stockholders or payees (including, among others, corporations, non-resident foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements. A tendering stockholder who is a foreign individual or a foreign entity should complete, sign, and submit to the Depository the appropriate Form W-8. A Form W-8BEN may be obtained from the Depository or downloaded from the Internal Revenue Service's website at the following address: <http://www.irs.gov>. Failure to complete the Form W-9 or applicable W-8 will not, by itself, cause Shares to be deemed invalidly tendered, but may require the Depository to withhold a portion of the amount of any payments made of the Purchase Price pursuant to the Offer.

NOTE: FAILURE TO COMPLETE AND RETURN THE FORM W-9 OR W-8 MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE "IMPORTANT TAX INFORMATION" SECTION BELOW.

13. **Irregularities.** The Company will determine in its sole discretion all questions as to the Purchase Price, the number of shares to accept, and the validity, eligibility (including time of receipt), and acceptance for payment of any tender of shares. Any such determinations will be final and binding on all parties. The Company reserves the absolute right to reject any or all tenders of shares it determines not to be in proper form or the acceptance of which or payment for which may, in the opinion of the Company, be unlawful. The Company also reserves the absolute right to waive any of the conditions of the tender offer and any defect or irregularity in the tender of any particular shares, and the Company's interpretation of the terms of the tender offer, including these instructions, will be final and binding on all parties. No tender of shares will be deemed to be properly made until all defects and irregularities have been cured or waived. Unless waived, any defects or irregularities in connection with tenders must be cured within such time as the Company shall determine. None of the Company, the Depository, the Information Agent (as defined in the Offer to Purchase) or any other person is or will be obligated to give notice of any defects or irregularities in tenders and none of them will incur any liability for failure to give any such notice.

14. **Requests for Assistance or Additional Copies.** Questions or requests for assistance may be directed to the Information Agent at its address and telephone number set forth below or to your broker, dealer, commercial bank or trust company. Additional copies of the Offer to Purchase, this Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below, and will be furnished at Purchaser's expense.

15. **Stock Option Plans.** If you hold vested options in the Company's stock option plans, then you may exercise such vested options by paying the cash exercise price and receiving shares which you may then tender in accordance with the terms of the Tender Offer. An exercise of an option cannot be revoked even if shares received upon exercise thereof and tendered in the Offer are not purchased in the offer for any reason.

16. **Lost, Destroyed, Mutilated or Stolen Share Certificates.** If any Share Certificate has been lost, destroyed, mutilated or stolen, the stockholder should promptly notify the Company's stock transfer agent, American Stock Transfer & Trust Company, LLC at (800) 937-5449. The stockholder will then be instructed as to the steps that must be taken in order to replace the Share Certificate. This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost, mutilated, destroyed or stolen Share Certificates have been followed.

17. **Waiver of Conditions.** Subject to the terms and conditions of the Offer and the applicable rules and regulations of the Securities and Exchange Commission, the conditions of the Offer may be waived by Purchaser in whole or in part at any time and from time to time in its sole discretion.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A MANUALLY EXECUTED FACSIMILE COPY THEREOF) OR AN AGENT'S MESSAGE, TOGETHER WITH SHARE CERTIFICATE(S) OR BOOK-ENTRY CONFIRMATION AND ALL OTHER REQUIRED DOCUMENTS, MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under U.S. federal income tax laws, the Depository (as payer) will be required to withhold a portion of the amount of any payments made to certain stockholders (or other payees) pursuant to the Offer, as applicable. To avoid backup withholding, each tendering stockholder (or other payee) that is or is treated as a United States person (for U.S. federal income tax purposes) and that does not otherwise establish an exemption from U.S. federal backup withholding must complete and return the attached Internal Revenue Service ("IRS") Form W-9, certifying that such stockholder (or other payee) is a United States person, that the TIN provided is correct, and that such stockholder (or other payee) is not subject to backup withholding.

Certain stockholders and other payees (including, among others, corporations, non-resident foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements. Exempt United States persons should indicate their exempt status on IRS Form W-9. A tendering stockholder (or other payee) who is a foreign individual or a foreign entity should complete, sign, and submit to the Depository the appropriate IRS Form W-8. The appropriate IRS Form W-8 may be downloaded from the IRS's website at the following address: <http://www.irs.gov>. Failure to complete the IRS Form W-9 or the appropriate IRS Form W-8 will not, by itself, cause Shares to be deemed invalidly tendered, but may require the Depository to withhold a portion of the amount of any payments made of the Purchase Price pursuant to the Offer. Tendering stockholders (or other payees) should consult their tax advisors as to any qualification for exemption from backup withholding, and the procedure for obtaining the exemption.

If backup withholding applies, the Depositary is required to withhold 24% of any payments of the purchase price made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained from the IRS provided that the required information is furnished to the IRS.

What Number to Give the Depositary

Each United States stockholder is generally required to give the Depositary its social security number or employer identification number. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the stockholder should write "Applied For" in Part I, sign and date the Form W-9. Notwithstanding that "Applied For" is written in Part I, the Depositary will withhold 24% of all payments of the purchase price to such stockholder until a TIN is provided to the Depositary. Such amounts will be refunded to such surrendering stockholder if a TIN is provided to the Depositary within 60 days. We note that your Form W-9, including your TIN, may be transferred from the Depositary to the Paying Agent, in certain circumstances.

FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 OR FORM W-8 MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS AND PLEASE CONSULT YOUR ACCOUNTANT OR TAX ADVISOR FOR FURTHER GUIDANCE REGARDING THE COMPLETION OF SUBSTITUTE FORM W-9 OR THE APPLICABLE FORM W-8.

<p style="text-align: center;">SUBSTITUTE</p> <p style="text-align: center;">FORM W-9</p> <p>Department of the Treasury Internal Revenue Service</p> <p style="text-align: center;">Payer's Request for Taxpayer Identification Number (TIN) and Certification</p>	<p>Part 1 — PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW</p>	<p>_____ Social Security Number</p> <p style="text-align: center;">OR</p> <p>_____ Employer Identification Number</p>
	<p>Part 2 — Check appropriate box for federal tax classification; check only one:</p> <p><input type="checkbox"/> Individual/Sole Proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation</p> <p><input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited Liability Company: _____</p> <p><input type="checkbox"/> Other (please specify) _____</p>	<p>For Limited Liability Companies, please enter the appropriate tax classification on the line provided next to the phrase "Limited Liability Company":</p> <p>C = C Corporation S = S Corporation P = Partnership</p>
	<p>Part 3 — FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING (See Page 2 of enclosed Guidelines)</p>	<p>_____</p>
	<p>Part 4 — Certification Under Penalties of Perjury, I certify that:</p> <p>(1) The number shown on this form is my current taxpayer identification number (or I am waiting for a number to be issued to me),</p> <p>(2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding and</p> <p>(3) I am a U.S. person (including a U.S. resident alien).</p> <p>(4) The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.</p>	<p style="text-align: center;">Part 5 —</p> <p style="text-align: center;">Awaiting TIN <input type="checkbox"/></p>
	<p>Certification instructions — You must cross out item (2) in Part 4 above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you are subject to backup withholding you receive another notification from the IRS stating that you are no longer subject to backup withholding, do not cross out item (2).</p> <p>SIGNATURE _____ DATE _____</p> <p>NAME _____</p> <p>ADDRESS _____</p> <p>CITY _____ STATE _____ ZIP CODE _____</p>	

**YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU
CHECK THE BOX IN PART 5 OF SUBSTITUTE FORM W-9**

PAYER'S NAME: American Stock Transfer & Trust Company, LLC

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify, under penalties of perjury, that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number before payment is made, a portion of such reportable payment will be withheld.

Signature

Date

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENT MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9**

Guidelines for Determining the Proper Identification Number to Give the Payer — Social Security Numbers have nine digits separated by two hyphens: i.e., ###-##-####. Employer Identification Numbers have nine digits separated by only one hyphen: i.e., ##-#####. The table below will help determine the number to give the payer.

For this type of account:	Give the SOCIAL SECURITY number of —	For this type of account:	Give the EMPLOYER IDENTIFICATION number of —
1. An individual's account	The individual	8. Sole proprietorship account	The owner(4)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)	9. A valid trust, estate or pension trust	The legal entity(5)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, the first individual on the account (1)	10. Corporate account	The corporation
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	11. Religious, charitable, or educational organization account	The organization
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)	12. Partnership account held in the name of the business	The partnership
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)	13. Association, club, or other tax-exempt organization	The organization
7. a. The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)	14. A broker or registered nominee	The broker or nominee
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)	15. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

- (1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has a social security number, that person's number must be furnished.
- (2) Circle the minor's name and furnish the minor's social security number.
- (3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
- (4) You must show your individual name, but you may also enter your business or "doing business as" name. You may use either your social security number or employer identification number (if you have one).
- (5) List first and circle the name of the legal trust, estate, or pension trust. Do not furnish the taxpayer identification number of the personal representative or trustee unless the legal entity itself is not designated in the account title.

Note: *If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.*

**GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9**

Page 2

Obtaining a Number

If you do not have a taxpayer identification number or if you do not know your number, obtain Form SS-5, Application for Social Security Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number. Section references in these guidelines refer to sections under the Internal Revenue Code of 1986, as amended.

Payees specifically exempt from backup withholding include:

- An organization exempt from tax under Section 501(a), an individual retirement account (IRA), or a custodial account under Section 403(b)(7), if the account satisfies the requirements of Section 401(f)(2).
- The United States or a state thereof, the District of Columbia, a possession of the United States, or a political subdivision or wholly-owned agency or instrumentality of any one or more of the foregoing.
- An international organization or any agency or instrumentality thereof.
- A foreign government or any political subdivision, agency or instrumentality thereof.

Payees that may be exempt from backup withholding include:

- A corporation.
- A financial institution.
- A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under Section 584(a).
- An entity registered at all times during the tax year under the Investment Company Act of 1940, as amended.
- A middleman known in the investment community as a nominee or custodian.
- A futures commission merchant registered with the Commodity Futures Trading Commission.
- A foreign central bank of issue.
- A trust exempt from tax under Section 664 or described in Section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under Section 1441.
- Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.
- Payments of patronage dividends where the amount received is not paid in money.
- Payments made by certain foreign organizations.
- Section 404(k) payments made by an ESOP.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is \$600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.
- Payments of tax-exempt interest (including exempt-interest dividends under Section 852).
- Payments described in Section 6049(b)(5) to nonresident aliens.
- Payments on tax-free covenant bonds under Section 1451.
- Payments made by certain foreign organizations.
- Mortgage or student loan interest paid to you.

Exempt payees described above should file Form W-9 to avoid possible erroneous backup withholding. **FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" IN PART 2 OF THE FORM, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER.**

Certain payments other than interest, dividends, and patronage dividends, which are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under Sections 6041, 6041A, 6045, 6050A and 6050N.

Privacy Act Notice. — Section 6109 requires most recipients of dividend, interest, or certain other income to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes and to help verify the accuracy of tax returns. The IRS may also provide this information to the Department of Justice for civil and criminal litigation and to cities, states and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a tax treaty, or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold a portion of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

Penalties

(1) Penalty for Failure to Furnish Taxpayer Identification Number. — If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

Page 3

(2) Civil Penalty for False Information With Respect to Withholding. — If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of \$500.

(3) Criminal Penalty for Falsifying Information. — Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

(4) Misuse of Taxpayer Identification Numbers.—If the requester discloses or uses taxpayer identification numbers in violation of federal law, the requester may be subject to civil and criminal penalties.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

The Depository for the Offer to Purchase is:



If delivering by hand, express mail, courier,
or other expedited service:

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

By mail:

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

**DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH
ABOVE WILL NOT CONSTITUTE A VALID DELIVERY TO THE DEPOSITARY.**

Any questions or requests for assistance may be directed to the Information Agent at its telephone number and location listed below. Requests for additional copies of this Offer to Purchase and the Letter of Transmittal may be directed to the Information Agent at its telephone number and location listed below. You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

Okapi Partners LLC
1212 Avenue of the Americas, 24th Floor
New York, New York 10036

Banks and Brokerage Firms, Please Call: (212) 297-0720
Stockholders and All Others Call Toll-Free: (888) 785-6709
Email: info@okapipartners.com

Offer to Purchase for Cash
by
ALJ REGIONAL HOLDINGS, INC.
of
Up to 10,000,000 Shares of Its Common Stock
At a Purchase Price Not Greater Than \$2.00 Nor Less Than \$1.84 Per Share

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 29, 2022, UNLESS THE COMPANY EXTENDS THE TENDER OFFER.

December 1, 2022

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

ALJ Regional Holdings, Inc., a Delaware corporation (the "Company"), is proposing to purchase for cash up to 10,000,000 shares of its common stock, par value \$0.01 per share, at a price per share not greater than \$2.00 nor less than \$1.84, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated December 1, 2022, and the related Letter of Transmittal, (which together, and as each may be amended or supplemented from time to time, constitute the "Tender Offer"). Capitalized terms used herein and not defined herein have the meanings given to them in the Offer to Purchase. The description of the Tender Offer in this letter is only a summary and is qualified by all of the terms and conditions of the Tender Offer set forth in the Offer to Purchase and the Letter of Transmittal. Please furnish copies of the enclosed materials to those of your clients for whom you hold shares registered in your name or in the name of your nominee.

Given the prices specified by tendering stockholders and the number of shares properly tendered and not properly withdrawn, the Company will select the lowest purchase price between (and including) \$1.84 and \$2.00 per share (the "Purchase Price") that will enable it to purchase 10,000,000 shares, or a lower number depending on the number of shares properly tendered and not properly withdrawn. If less than 10,000,000 shares are properly tendered and not properly withdrawn, the Company will buy all the shares that are properly tendered and not properly withdrawn. The Company will pay the same Purchase Price for each share of common stock purchased under the Tender Offer.

All shares properly tendered before the "expiration date" (as defined in Section 1 of the Offer to Purchase) at prices at or below the Purchase Price and not validly withdrawn will be purchased by the Company at the Purchase Price, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions of the Tender Offer, including the "odd lot," proration and conditional tender provisions thereof. See Section 1 of the Offer to Purchase. Shares tendered at prices in excess of the Purchase Price and shares that the Company does not accept for purchase because of proration or conditional tenders will be returned at the Company's expense to the stockholders that tendered such shares, as promptly as practicable after the expiration date. The Company expressly reserves the right, in its sole discretion, to purchase more than 10,000,000 shares under the Tender Offer, subject to applicable law.

If, at the expiration date, the number of shares that are properly tendered at or below the Purchase Price and not properly withdrawn exceeds 10,000,000 (or such greater number of shares as the Company may elect to purchase, subject to applicable law), the Company will buy shares on the basis described as follows:

- first, from all holders of "odd lots" (holders of less than 100 shares) who properly tender all of their shares of such at or below the Purchase Price and do not properly withdraw them before the expiration date and who complete the section captioned "Odd Lots" on the Letter of Transmittal;
- second, on a pro rata basis from all other stockholders who properly tender shares at or below the Purchase Price, other than stockholders who tender conditionally and whose conditions are not satisfied; and
- third, only if necessary to permit the Company to purchase 10,000,000 shares (or such greater number of shares as the Company may elect to purchase, subject to applicable law) from holders who have tendered shares subject to the condition that we purchase a specified minimum number of the holder's shares if the Company purchases any of the holder's shares in the Tender Offer (for which the condition was not initially satisfied) at or below the Purchase Price by random lot, to the extent feasible. To be eligible for purchase by random lot, stockholders whose shares are conditionally tendered must have tendered all of their shares.

The Tender Offer is not conditioned on any minimum number of shares being tendered. The Tender Offer is, however, subject to other conditions. See Section 7 of the Offer to Purchase.

For your information and for forwarding to your clients for whom you hold shares registered in your name or in the name of your nominee, we are enclosing the following documents:

1. Offer to Purchase, dated December 1, 2022;
2. A form of letter to clients, which you may send to your clients for whom you hold shares registered in your name or in the name of your nominee, with an accompanying Instruction Form provided for obtaining such clients' instructions with regard to the Tender Offer;
3. The Letter of Transmittal, for your use and for the information of your clients, together with accompanying instructions, Form W-9, and Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Form W-9; and
4. A return envelope addressed to American Stock Transfer & Trust Company, LLC, as Depositary for the Tender Offer.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 29, 2022, UNLESS THE TENDER OFFER IS EXTENDED.

UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE PURCHASE PRICE, INCLUDING BUT NOT LIMITED TO, BY REASON OF ANY DELAY IN MAKING PAYMENT.

No fees or commissions will be payable to brokers, dealers, commercial banks, trust companies or any person for soliciting tenders of shares under the Tender Offer other than fees paid to the Information Agent and the Depositary, as described in the Offer to Purchase. The Company will, however, upon request, reimburse brokers, dealers, commercial banks and trust companies for reasonable and necessary costs and expenses incurred by them in forwarding the enclosed materials to their customers who are beneficial owners of shares held by them as a nominee or in a fiduciary capacity. The Company will pay or cause to be paid any stock transfer taxes applicable to our purchase of shares pursuant to the Tender Offer, except as otherwise provided in the Offer to Purchase and Letter of Transmittal (see Instruction 9 of the Letter of Transmittal). No broker, dealer, bank, trust company or fiduciary shall be deemed to be an agent of the Company, the Information Agent, the Depositary or any affiliate of the foregoing for purposes of the Tender Offer.

For shares to be properly tendered pursuant to the Tender Offer, the Depositary must timely receive the stock certificates or confirmation of receipt of such shares under the procedure for book-entry transfer, together with a properly completed and duly executed Letter of Transmittal, including any required signature guarantees or an "agent's message" (as defined in the Offer to Purchase and the Letter of Transmittal) and any other documents required pursuant to Tender Offer.

None of the Company, its Board of Directors, the Information Agent or the Depositary makes any recommendation to any stockholder as to whether to tender or refrain from tendering all or any shares or as to the price or prices at which to tender. Holders of shares must make their own decision as to whether to tender shares and, if so, how many shares to tender and at which prices.

Any questions or requests for assistance may be directed to the Depositary or the Information Agent at their respective at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase. You may obtain additional copies of the enclosed materials and direct questions and requests for assistance to the Information Agent, Okapi Partners LLC at (212) 297-0720 (for banks and brokers) and (888) 785-6709 (for all others).

Enclosures

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS WILL MAKE YOU OR ANY OTHER PERSON AN AGENT OF THE COMPANY, THE INFORMATION AGENT, OR THE DEPOSITARY OR ANY AFFILIATE OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND

Offer to Purchase for Cash
by
ALJ Regional Holdings, Inc.
of
Up to 10,000,000 Shares of Its Common Stock
At a Purchase Price Not Greater Than \$2.00 Nor Less Than \$1.84 Per Share

THE TENDER OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 29, 2022, UNLESS THE COMPANY EXTENDS THE TENDER OFFER.

December 1, 2022

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated December 1, 2022, and the related Letter of Transmittal (which together, as they may be amended and supplemented from time to time, constitute the "Tender Offer"), in connection with the offer by ALJ Regional Holdings, Inc., a Delaware corporation (the "Company"), to purchase for cash up to 10,000,000 shares of its common stock, par value \$0.01 per share, at a price per share not greater than \$2.00 nor less than \$1.84, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions of the Tender Offer.

Given the prices specified by tendering stockholders and the number of shares properly tendered and not properly withdrawn, the Company will select the lowest purchase price (in multiples of \$0.01) between (and including) \$1.84 and \$2.00 per share (the "Purchase Price") that will enable it to purchase 10,000,000, or a lower number depending on the number of shares properly tendered and not properly withdrawn. If fewer than 10,000,000 shares are properly tendered and not properly withdrawn, the Company will buy all the shares that are properly tendered and not properly withdrawn. The Company will pay the same Purchase Price for each share of common stock purchased under the Tender Offer.

All shares properly tendered before the "expiration date" (as defined in Section 1 of the Offer to Purchase) at prices at or below the Purchase Price and not validly withdrawn will be purchased by the Company at the Purchase Price, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions of the Tender Offer, including the "odd lot," proration and conditional tender provisions thereof. See Section 1 of the Offer to Purchase. Shares tendered at prices in excess of the Purchase Price and shares that the Company does not accept for purchase because of proration or conditional tenders will be returned at the Company's expense to the stockholders that tendered such shares, as promptly as practicable after the expiration date. The Company expressly reserves the right, in its sole discretion, to purchase more than 10,000,000 shares under the Tender Offer, subject to applicable law.

We are the owner of record of the shares of common stock of the Company held for your account. As such, we are the only ones who can tender your shares, and then only pursuant to your instructions. **We are sending you the Letter of Transmittal for your information only. You cannot use the Letter of Transmittal to tender the shares we hold for your account.** The Letter of Transmittal must be completed and executed by us, according to your instructions.

Please instruct us as to whether you wish us to tender, on the terms and subject to the conditions of the Tender Offer, any or all of the shares we hold for your account, by completing and signing the Instruction Form enclosed herein.

Please note carefully the following:

1. You may tender shares at prices not greater than \$2.00 nor less than \$1.84 per share, as indicated in the enclosed Instruction Form, net to you in cash, less any applicable withholding taxes and without interest.
2. You should consult with your broker and/or your tax advisor as to whether (and if so, in what manner) you should designate the priority in which you want your tendered shares to be purchased in the event of proration.
3. The Tender Offer is not conditioned upon any minimum number of shares being tendered. The Tender Offer is, however, subject to certain other conditions set forth in Section 7 of the Offer to Purchase.
4. The Tender Offer, the proration period and the withdrawal rights will expire at 12:00 midnight, New York City time, on December 29, 2022, unless the Company extends the Tender Offer.
5. As of November 28, 2022, there were approximately 36,289,293 shares of the Company's common stock issued and outstanding. If the Tender Offer is fully subscribed, the Company would purchase 10,000,000 shares, which would represent approximately 27.6% of its issued and outstanding common stock as of November 28, 2022.
6. Tendering stockholders who are registered stockholders or who tender their shares directly to American Stock Transfer & Trust Company, the Depository for the Tender Offer, will not be obligated to pay any brokerage commissions or fees, solicitation fees, or (except as set forth in the Offer to Purchase and Instruction 9 to the Letter of Transmittal) stock transfer taxes on the Company's purchase of shares pursuant to the Tender Offer.
7. If you (i) own beneficially or of record an aggregate of fewer than 100 shares, (ii) instruct us to tender on your behalf ALL of the shares you own at or below the Purchase Price before the expiration date and (iii) check the box captioned "Odd Lots" in the attached Instruction Form, then the Company, upon the terms and subject to the conditions of the Tender Offer, will accept all of your tendered shares for purchase regardless of any proration that may be applied to the purchase of other shares properly tendered but not meeting the above conditions.
8. If you wish to condition your tender upon the purchase of all shares tendered or upon the Company's purchase of a specified minimum number of the shares that you tender, you may elect to do so and thereby avoid (in full or in part) possible proration of your tender. The Company's purchase of shares from all tenders which are so conditioned will be determined, to the extent necessary, by random lot. To elect such a condition, complete the section captioned "Conditional Tender" in the attached Instruction Form.
9. If you wish to tender portions of your shares at different prices, you must complete a SEPARATE Instruction Form for each price at which you wish to tender each such portion of your shares. We must and will submit separate letters of transmittal on your behalf for each price you will accept.
10. **The Board of Directors has approved the Tender Offer. However, none of the Company, its Board of Directors, the Information Agent or the Depository makes any recommendation to stockholders as to whether to tender or refrain from tendering their shares for purchase, or as to the price or prices at which stockholders should choose to tender their shares. Stockholders must make their own decisions as to whether to tender their shares and, if so, how many shares to tender and the price or prices at which they should tender such shares.**

If you wish to have us tender any or all of your shares, please instruct us to that effect by completing, executing, and returning to us the enclosed Instruction Form. A pre-addressed envelope is enclosed for your convenience. If you authorize us to tender your shares, we will tender all of the shares that we hold beneficially for your account unless you specify otherwise on the enclosed Instruction Form.

Please forward your completed Instruction Form to us in a timely manner to give us ample time to permit us to submit the tender on your behalf before the expiration date of the Tender Offer. The Tender Offer, proration period and withdrawal rights will expire at 12:00 midnight, New York City time, on December 29, 2022, unless the Company extends the Tender Offer.

As described in the Offer to Purchase, if more than 10,000,000 shares (or such greater or less 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 10,000,000 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.

The Tender Offer is being made solely pursuant to the Offer to Purchase and the Letter of Transmittal and is being made to all record holders of shares of the Company's common stock. The Tender Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of shares residing in any jurisdiction in which the making of the Tender Offer or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction.

YOUR PROMPT ACTION IS REQUESTED. PLEASE FORWARD YOUR COMPLETED INSTRUCTION FORM TO US IN AMPLE TIME TO PERMIT US TO SUBMIT THE TENDER ON YOUR BEHALF BEFORE THE EXPIRATION OF THE TENDER OFFER.

INSTRUCTION FORM WITH RESPECT TO
Offer to Purchase for Cash
by
ALJ REGIONAL HOLDINGS, INC.
of
Up to 10,000,000 Shares of Its Common Stock
At a Purchase Price Not Greater Than \$2.00 Nor Less Than \$1.84 Per Share

The undersigned acknowledge(s) receipt of your letter in connection with the offer by ALJ Regional Holdings, Inc., a Delaware corporation (the “Company”), to purchase up to 10,000,000 shares of its common stock, par value \$0.01 per share at a price not greater than \$2.00 or less than \$1.84 per share, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions set forth in the enclosed Offer to Purchase, dated December 1, 2022 and the related Letter of Transmittal (which together, as each may be amended and supplemented from time to time, collectively constitute the “Tender Offer”).

The undersigned understands that, given the prices specified by tendering stockholders and the number of shares properly tendered and not properly withdrawn, the Company will select the lowest purchase price (in multiples of \$0.01) between (and including) \$1.84 and \$2.00 per share (the “Purchase Price”) that will enable it to purchase 10,000,000 shares, or a lower number depending on the number of shares properly tendered and not properly withdrawn. If fewer than 10,000,000 shares are properly tendered and not properly withdrawn, the Company will buy all the shares that are properly tendered and not properly withdrawn. The Company will pay the same Purchase Price for each share of common stock purchased under the Tender Offer.

The undersigned understands that all shares properly tendered before the “expiration date” (as defined in Section 1 of the Offer to Purchase) at prices at or below the Purchase Price and not validly withdrawn will be purchased by the Company at the Purchase Price, net to the seller in cash, less applicable withholding taxes and without interest, upon the terms and subject to the conditions of the Tender Offer, including the "odd lot," proration and conditional tender provisions thereof. See Section 1 of the Offer to Purchase. Shares tendered at prices in excess of the Purchase Price and shares that the Company does not accept for purchase because of proration or conditional tenders will be returned at the Company’s expense to the stockholders that tendered such shares, as promptly as practicable after the expiration date. The undersigned understands that the Company expressly reserves the right, in its sole discretion, to purchase more than 10,000,000 shares under the Tender Offer, subject to applicable law.

The undersigned hereby instruct(s) you to tender to the Company the number of shares indicated below or, if no number is indicated, all shares you hold for the account of the undersigned, at the price per share indicated below, in accordance with the terms and subject to the conditions of the Tender Offer.

NUMBER OF SHARES TO BE TENDERED BY YOU FOR THE ACCOUNT OF THE UNDERSIGNED:

_____ **SHARES OF COMMON STOCK***

***Unless you indicate otherwise, we will assume that you are instructing us to tender all of the shares held by us for your account.**

CHECK ONE AND ONLY ONE BOX. IF YOU CHECK MORE THAN ONE BOX, OR IF YOU DO NOT CHECK ANY BOX, YOU WILL HAVE FAILED TO VALIDLY TENDER ANY SHARES.

**SHARES TENDERED AT PRICE DETERMINED PURSUANT TO THE TENDER OFFER
(See Instruction 5 of the Letter of Transmittal)**

- The undersigned wants to maximize the chance of having the Company purchase all shares the undersigned is tendering (subject to the possibility of proration). Accordingly, by checking this **ONE** box **INSTEAD OF ONE OF THE PRICE BOXES BELOW**, the undersigned hereby tenders shares and is willing to accept the purchase price determined by the Company pursuant to the tender offer (the "Purchase Price"). This action could result in receiving a price per share as low as \$1.84.

- OR -

**SHARES TENDERED AT PRICE DETERMINED BY STOCKHOLDER
(See Instruction 5 of the Letter of Transmittal)**

By checking **ONE** of the boxes below **INSTEAD OF THE BOX ABOVE**, the undersigned hereby tenders shares at the price checked. This action could result in none of the shares being purchased if the Purchase Price is less than the price checked below. **A stockholder who desires to tender shares at more than one price must complete a separate letter of transmittal for each price at which the stockholder tenders shares.** You cannot tender the same shares at more than one price, unless you have previously validly withdrawn those shares tendered at a different price in accordance with Section 4 of the Offer to Purchase.

Price (in Dollars) Per Share at Which Shares Are Being Tendered

- | | | | | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <input type="checkbox"/> \$1.84 | <input type="checkbox"/> \$1.85 | <input type="checkbox"/> \$1.86 | <input type="checkbox"/> \$1.87 | <input type="checkbox"/> \$1.88 |
| <input type="checkbox"/> \$1.89 | <input type="checkbox"/> \$1.90 | <input type="checkbox"/> \$1.91 | <input type="checkbox"/> \$1.92 | <input type="checkbox"/> \$1.93 |
| <input type="checkbox"/> \$1.94 | <input type="checkbox"/> \$1.95 | <input type="checkbox"/> \$1.96 | <input type="checkbox"/> \$1.97 | <input type="checkbox"/> \$1.98 |
| | <input type="checkbox"/> \$1.99 | | <input type="checkbox"/> \$2.00 | |

**You WILL NOT have validly tendered your shares
unless you check ONE AND ONLY ONE BOX ON THIS PAGE.**

ODD LOTS
(See Instruction 6 of the Letter of Transmittal)

To be completed **only** if shares are being tendered by or on behalf of a person owning, beneficially or of record, an aggregate of fewer than 100 shares.

- By checking this box, the undersigned represents that the undersigned owns beneficially or of record an aggregate of fewer than 100 shares and is instructing the holder to tender all such shares.

In addition, the undersigned is tendering shares either (check ONE box):

- at the Purchase Price, which will be determined by the Company in accordance with the terms of the Tender Offer (persons checking this box should check the first box on the previous page, under the heading "Shares Tendered at Price Determined Pursuant to the Tender Offer"); OR
- at the price per share indicated on the previous page under the heading "Shares Tendered at Price Determined by Stockholder".

CONDITIONAL TENDER
(See Instruction 11 of the Letter of Transmittal)

A tendering stockholder may condition such stockholder's tender of any shares upon the purchase by the Company of a specified minimum number of the shares such stockholder tenders, as described in Section 6 of the Offer to Purchase. Unless the Company purchases at least the minimum number of shares you indicate below pursuant to the terms of the Tender Offer, the Company will not purchase any of the shares tendered below. It is the tendering stockholder's responsibility to calculate that minimum number, and we urge each stockholder to consult his or her own tax advisor in doing so. Unless you check the box immediately below and specify, in the space provided, a minimum number of shares that the Company must purchase if the Company purchases any shares from you, the Company will deem your tender unconditional.

- The minimum number of shares that the Company must purchase from me if the Company purchases any shares from me, is: _____ shares.

If, because of proration, the Company will not purchase the minimum number of shares that you designate, the Company may accept conditional tenders by random lot, if necessary. However, to be eligible for purchase by random lot, the tendering stockholder must have tendered all of his or her shares. To certify that you are tendering all of the shares you own, check the box below.

- The tendered shares represent all shares held by the undersigned.

THE METHOD OF DELIVERY OF THIS DOCUMENT IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER. IF DELIVERY IS BY MAIL, WE RECOMMEND REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED. IN ALL CASES, PLEASE ALLOW SUFFICIENT TIME TO ASSURE TIMELY DELIVERY.

– PLEASE SIGN ON THE NEXT PAGE –

SIGNATURE

Signature(s): _____

Names(s): _____
(please print)

Taxpayer Identification or Social Security Number: _____

Address(es): _____
(include zip code)

Area Code & Phone Number(s): _____

Date: _____