

ALJ REGIONAL HOLDINGS, INC.

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JULY 27, 2012**

TO THE STOCKHOLDERS OF ALJ REGIONAL HOLDINGS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of ALJ Regional Holdings, Inc., a Delaware corporation (the “**Company**”), will be held on July 27, 2012 at 9:00 a.m. Eastern Time at the offices of Morrison & Foerster LLP, 1290 Avenue of the Americas, 39th Floor, New York, New York 10104 for the following purposes:

1. To elect Jess M. Ravich as the one (1) Class III director to hold office until the Company’s 2015 Annual Meeting of Stockholders or until his successor is elected and duly qualified or until his earlier resignation or removal.
2. To ratify the appointment of Mountjoy Chilton Medley LLP, formerly known as Mountjoy & Bressler, LLP (“**Mountjoy**”), as the independent registered public accounting firm for the Company’s operating subsidiary KES Acquisition Company (and, if the Company were to proceed with a Listing (as defined below), to ratify the appointment of Mountjoy as the independent registered public accounting firm for the Company as well) for the fiscal year ending September 30, 2012.
3. To consider and vote upon a proposal that the Company take all actions necessary and appropriate, in the discretion of its Board of Directors, to pursue and effect the listing of its common stock on a national securities exchange (*e.g.*, The Nasdaq Stock Market, NYSE Amex LLC or such other exchange as is determined by the Company’s Board of Directors) (the “**Listing**”), subject to the Company satisfying the initial listing standards of such exchange.
4. To consider and vote upon a proposal that in connection with effecting the Listing, the Company file an amendment to its certificate of incorporation to effect a reverse stock split of its common stock by a ratio of between 13-1 to 20-1, as determined by the Company’s Board of Directors, such that upon filing of the Certificate of Amendment with the Secretary of State of the State of Delaware, for every thirteen (13) to twenty (20) shares of common stock of the Company outstanding immediately preceding the filing of such Certificate of Amendment, as determined by the Company’s Board of Directors, one (1) share of common stock shall be outstanding.
5. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on **June 13, 2012** as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at the offices of Morrison & Foerster LLP, 1290 Avenue of the Americas, 39th Floor, New York, New York 10104.

Whether or not you expect to attend the Annual Meeting, please complete, sign and date the proxy and return it promptly, or vote by telephone or by Internet. If you plan to attend the Annual Meeting and wish to vote your shares personally, you may do so at any time before the proxy is voted.

All stockholders are cordially invited to attend the Annual Meeting.

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on
July 27, 2012**

The Company's Annual Report and Proxy Statement are available at www.voteproxy.com, www.pinksheets.com and www.aljregionalholdings.com. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

By Order of the Board of Directors

/s/ John Scheel

John Scheel

*President, Chief Executive Officer
and Class I Director*

Ashland, KY
June 27, 2012

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held on July 27, 2012**

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The Board of Directors (the “**Board of Directors**” or the “**Board**”) of ALJ Regional Holdings, Inc., a Delaware corporation (the “**Company**”), is soliciting proxies for use at the Annual Meeting of Stockholders to be held on July 27, 2012 at 9:00 a.m. Eastern Time (the “**Annual Meeting**”), or at any adjournment or postponement thereof, for the purposes set forth in this Proxy Statement and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the offices of Morrison & Foerster LLP, 1290 Avenue of the Americas, 39th Floor, New York, New York 10104. The Company intends to mail a Notice of Internet Availability of Proxy Materials (the “**Notice of Internet Availability**”) on or about June 27, 2012 to all stockholders entitled to vote at the Annual Meeting.

Solicitation

The Company will bear the entire cost of solicitation of proxies, including preparation, assembly, printing and mailing of the Notice of Internet Availability, hosting the proxy materials on www.voteproxy.com, and preparation, assembly, printing and mailing this Proxy Statement, the Proxy Card, the Annual Report and any additional information furnished to stockholders pursuant to fulfillment requests. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of the Company’s stock beneficially owned by others to forward to such beneficial owners. The Company may reimburse persons representing beneficial owners of the Company’s stock for their costs of forwarding solicitation materials to such beneficial owners. Solicitation of proxies by mail may be supplemented by telephone or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

Voting Rights and Outstanding Shares

Only holders of record of shares of the Company’s common stock at the close of business on June 13, 2012 (the official record date) will be entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. At the close of business on June 13, 2012, the Company had outstanding and entitled to vote 57,246,598 shares of common stock.

Each holder of record of shares of the Company’s common stock on the record date will be entitled to one vote for each share of the Company’s common stock held by such holder on the record date on all matters to be voted upon at the Annual Meeting.

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the Company’s outstanding shares entitled to vote are represented at the meeting, either in person or by proxy. All votes will be tabulated by the inspector of elections appointed for the meeting by the Company, who will tabulate affirmative and negative votes, abstentions and broker non-votes. Votes for and against, abstentions and broker non-votes will each be counted for determining the presence of a quorum.

Internet Delivery of Proxy Materials

Instead of mailing a printed copy of our proxy materials to each stockholder of record, we are furnishing proxy materials, including this Proxy Statement and our Annual Report for the fiscal year ended September 30, 2011, by providing access to such documents on the Internet. Most stockholders will not receive printed copies of the proxy materials unless they request them, in which case printed copies of the proxy materials will be provided at no charge.

Instead of mailing a printed copy of our proxy materials to each stockholder of record, a Notice of Internet Availability was mailed to such stockholders on or about June 27, 2012 that instructs them as to how they may access and review all of the proxy materials on the Internet. The Notice of Internet Availability also instructs stockholders as to how they may submit their proxy on the Internet, by telephone or by mail.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on July 27, 2012

Our Annual Report and Proxy Statement are available at www.voteproxy.com, www.pinksheets.com and www.aljregionalholdings.com. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

How You Can Vote

Stockholders of Record: You are a stockholder of record if at the close of business on the record date your shares were registered directly in your name with American Stock Transfer & Trust Company, LLC, our transfer agent. If you are a stockholder of record, there are several ways for you to vote your shares.

- **By Mail.** If you received printed proxy materials, you may submit your vote by marking, dating, signing and mailing the enclosed proxy in the prepaid envelope. Giving a proxy will not affect your right to vote your shares if you attend the Annual Meeting and want to vote in person. The shares represented by the proxies received in response to this solicitation and not properly revoked will be voted at the Annual Meeting in accordance with the instructions therein.

- **By telephone or over the Internet.** You may vote your shares by telephone or via the Internet by following the instructions provided in the Notice. If you vote by telephone or via the Internet, you do not need to return a Proxy Card by mail. Telephone and Internet voting are available 24 hours a day. Votes submitted by telephone or through the Internet must be received by 11:59 p.m. Eastern Time on July 26, 2012.

- **In person at the Annual Meeting.** You may vote your shares in person at the Annual Meeting. Even if you plan to attend the Annual Meeting in person, we recommend that you also submit your Proxy Card or voting instructions or vote by telephone or via the Internet by the applicable deadline so that your vote will be counted if you later decide not to attend the meeting.

Beneficial Owners: Stockholders whose shares are held in a brokerage account, or by another nominee, are considered the beneficial owners of shares held in "street name." Notices for these stockholders are being forwarded to beneficial owners, together with a voting instruction card. Beneficial owners have the right to direct their broker, trustee or nominee as to how to vote and also are invited to attend the Annual Meeting. You should follow the instructions in the Notice of Internet Availability of Proxy Materials or voting instructions provided by your broker or nominee in order to instruct your broker or other nominee on how to vote your shares. The availability of telephone and Internet voting will depend on the voting process of the broker or nominee.

Since a beneficial owner is not the stockholder of record, he or she may not vote these shares in person at the Annual Meeting without a proxy from the broker, trustee or nominee that holds the shares, giving the beneficial owner the right to vote the shares at the meeting.

Broker Non-Votes

A broker non-vote occurs when a broker submits a proxy card with respect to shares of common stock held in street name but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on certain routine matters, but not on non-routine matters. In the past, director elections were considered a routine matter and brokers had discretion to vote shares held in street name in director elections absent voting instructions from the beneficial owner. Due to recent regulatory changes, brokers no longer have discretion to vote shares held in street name in director elections without specific instructions

from the beneficial owner. **Thus, if you hold your shares in street name and you do not instruct your broker how to vote in the election of directors, on the proposal to pursue and effect the Listing (as defined below) or on the proposal to file an amendment to the Company's certificate of incorporation to effect a reverse stock split, no votes will be cast on your behalf for such matter.** Your broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of Mountjoy Chilton Medley LLP, formerly known as Mountjoy & Bressler, LLP ("**Mountjoy**"), as the independent registered public accounting firm for the Company's operating subsidiary KES Acquisition Company ("**KES**") (and, if the Company were to proceed with a Listing, on the ratification of the appointment of Mountjoy as the independent registered public accounting firm for the Company as well) for the fiscal year ending September 30, 2012.

Voting and Revocability of Proxies

All valid proxies received before the Annual Meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If a stockholder returns a proxy but does not mark their voting preference, the individuals named as proxies will vote the shares **FOR** the election of Jess M. Ravich as the one (1) Class III director, **FOR** the ratification of the appointment of Mountjoy as the independent registered public accounting firm for KES (and, if the Company were to proceed with a Listing, the ratification of the appointment of Mountjoy as the independent registered public accounting firm for the Company as well) for the fiscal year ending September 30, 2012, **AGAINST** the taking of all actions necessary and appropriate to pursue and effect the Listing and **AGAINST** the reverse stock split of the Company's common stock. Proxy cards submitted by mail must be received no later than the Annual Meeting to be voted at the Annual Meeting.

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Company's counsel, located at Morrison & Foerster LLP, 755 Page Mill Road, Palo Alto, CA, 94304, Attention: Christopher M. Forrester, a written notice of revocation, or it may be revoked by a later-dated vote, by mail, by Internet or by telephone, or by attending the meeting and voting in person. Only a stockholder's latest proxy received by 11:59 p.m. Eastern Time on July 26, 2012 will be counted. Attendance at the meeting will not, by itself, revoke a proxy.

If a stockholder's shares are held in street name, they should follow the directions provided by their broker or other nominee regarding how to revoke their proxy.

IMPORTANT

Please mark, sign and date the proxy and return it at your earliest convenience, or vote by telephone or by Internet, so that, whether you intend to be present at the Annual Meeting or not, your shares can be voted. This will not limit your rights to attend or vote at the Annual Meeting.

**PROPOSAL 1
ELECTION OF DIRECTOR**

The Company's Bylaws provide that the number of directors constituting the Board of Directors is five (5). The Company's Bylaws further provide that the number of directors constituting the Board of Directors may be changed from time to time by resolution of the Board of Directors.

The members of the Board of Directors are classified into three (3) classes, with one class of directors elected at each Annual Meeting of stockholders to hold office for a three-year term and until successors of such class have been elected and qualified, or until their earlier resignation or removal. At the Annual Meeting: one (1) Class III director will be elected by the stockholders to serve until the 2015 Annual Meeting of Stockholders or until his successor is elected and duly qualified or until his earlier resignation or removal. Jess M. Ravich has been nominated by the Board of Directors for election as the Class III director. If the nominee is unable or unwilling to serve as a director, proxies may be voted for a substitute nominee designated by the present Board of Directors. The Board of Directors has no reason to believe that the nominee will be unable or unwilling to serve as a nominee or as a director if elected. Proxies received will be voted "FOR" the election of Jess M. Ravich as the one (1) Class III director unless otherwise directed.

Directors are elected by a plurality vote. The one (1) Class III nominee who receives the most votes cast in his favor will be elected to serve as the Class III director. If no contrary indication is made, proxies are to be voted for the election of Jess M. Ravich as the one (1) Class III director or, in the event such nominee is not a candidate or is unable to serve as a director at the time of the election (which is not currently expected), for any nominee who shall be designated by the Company's Board of Directors to fill such vacancy.

Information Regarding Directors

Biographical information concerning each of the directors and the Class III nominee for director as of the date of this Proxy Statement is set forth below.

Name	Age	Position	Year in Which Term Will Expire
Jess M. Ravich	54	Class III Director and nominee	2012
Robert Scott Fritz	55	Class I Director	2013
John Scheel	57	Chief Executive Officer, President and Class I Director	2013
Hal G. Byer	55	Class II Director	2014
Olimpio Lee Squitieri	54	Class II Director	2014

HAL G. BYER. Mr. Byer has served as a director of the Company since January 30, 2003. Mr. Byer joined Houlihan Lokey as a Senior Vice President in their Financial Sponsors Coverage Group in December 2009. From May 2001 to November 2009, Mr. Byer was a Senior Vice President of Libra Securities, LLC ("**Libra Securities**"), a broker-dealer registered with the Securities and Exchange Commission and a FINRA member. From 1995 to 2003, Mr. Byer was Chief Executive Officer of Byer Distributing Co., a snack food distribution company. From 2000 to 2003, Mr. Byer was also the Chief Operating Officer of eGreatcause.com, an internet start-up involved in fundraising for charitable and non-profit organizations that is no longer active.

ROBERT SCOTT FRITZ. Mr. Fritz has served as a director of the Company since January 30, 2003. Since May 2002, Mr. Fritz has served as the president of Robert Fritz and Sons Sales Company, a food broker and paper distributor that he owns in New Jersey. Mr. Fritz holds a B.S. in Business from Fairleigh Dickinson University.

JESS M. RAVICH. Mr. Ravich has served as a director of the Company since June 26, 2006 and the Chairman of the Board since August 31, 2006. Mr. Ravich joined Houlihan Lokey as Managing Director in December 2009. Prior to that, Mr. Ravich was Chairman and Chief Executive Officer of Libra Securities, a Los Angeles-based investment banking firm that focused on capital raising and financial advisory services for middle market corporate clients and the sales and trading of debt and equity securities for institutional investors. Prior to

founding Libra Securities in 1991, Mr. Ravich was an Executive Vice President at Jefferies & Co., Inc. and a Senior Vice President at Drexel Burnham Lambert. Mr. Ravich serves on the board of directors and compensation committee of Cherokee Inc. (Nasdaq GS: CHKE). Mr. Ravich has also served as chairman of the board of directors of Cherokee Inc. since January 2011. In addition to his professional responsibilities, Mr. Ravich has also served on the Undergraduate Executive Board of the Wharton School and the Board of Trustees of the Archer School for Girls. Mr. Ravich has both a B.S and M.S. from the Wharton School and a J.D. from Harvard University.

JOHN SCHEEL. Mr. Scheel has served as the President and Chief Executive Officer of the Company since August 31, 2006 and has served as a director of the Company since September 13, 2006. Mr. Scheel also currently serves as the Chief Operating Officer of Pinnacle Steel, LLC (“**Pinnacle**”) and, pursuant to the Management Agreement between KES and Pinnacle, as plant manager of KES’ steel mini-mill in Ashland, Kentucky (the “**Mill**”). Mr. Scheel has been plant manager of the Mill since January 2004 and has been Chief Operating Officer of Pinnacle since September 2002. Prior to joining Pinnacle, Mr. Scheel was Vice President of Operations for Birmingham Steel Management from July 2001 to September 2002. Mr. Scheel holds both B.S. and M.S. degrees in Metallurgical Engineering from Purdue University and a Master of Business Administration in Finance and International Business from Xavier University.

OLIMPIO LEE SQUITIERI. Mr. Squitieri has served as a director of the Company since May 28, 2008. Since January 2001, Mr. Squitieri has served as a partner at Squitieri & Fearon, LLP. From 1988 through January 2001, Mr. Squitieri was a partner at the firm formerly known as Abbey, Gardy & Squitieri, LLP. Since December 2006, Mr. Squitieri has served as a director and vice president of Sixty Sutton Corp. Mr. Squitieri also serves as a director of SCAN New York, a non-profit organization. Mr. Squitieri has a B.A. from Rutgers University and a J.D. from New York Law School.

Board Committees

The Board does not have a separate audit, nominating, corporate governance or compensation committee. The entire Board performs the functions that could be delegated to such committees, including, without limitation, reviewing audits and financial reports, determining executive compensation and selecting director nominees.

Board Meetings

During the fiscal year ended September 30, 2011, the Board met five times and took action by written consent on one occasion. During the fiscal year ended September 30, 2011, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board. The Board encourages the directors to attend the annual meetings of stockholders.

Audit Committee Financial Expert

The Board has determined that Mr. Ravich satisfies the definition of an “audit committee financial expert” under SEC rules and regulations. This designation does not impose any duties, obligations or liabilities on Mr. Ravich that are greater than those generally imposed on him as a member of the Board, and his designation as an audit committee financial expert pursuant to this SEC requirement does not affect the duties, obligations or liability of any other member of the Board.

Director Nominations

The Company’s Board of Directors evaluates director nominees for each election of directors.

In fulfilling its responsibilities, the Board of Directors considers the following factors:

- the appropriate size of the Board of Directors;
- the needs of the Company with respect to the particular talents and experience of its directors;

- the knowledge, skills and experience of nominees, including experience in business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;
- experience with accounting rules and practices;
- applicable regulatory and securities exchange/association requirements; and
- a balance between the benefit of continuity and the desire for a fresh perspective provided by new members.

The Board of Directors' goal is to assemble a group of directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board of Directors also considers candidates with appropriate non-business backgrounds.

Other than the foregoing factors, there are no stated minimum criteria for director nominees. However, the Board of Directors may also consider such other factors as it may deem are in the best interests of the Company and its stockholders. The Board of Directors believes that it is preferable that at least one member of the Board of Directors should meet the criteria for an "audit committee financial expert" as defined by SEC rules. The Board of Directors also believes it appropriate for the Company's Chief Executive Officer to participate as a member of the Board of Directors.

The Board of Directors identifies nominees by first evaluating the willingness of the current members of the Board of Directors to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors up for re-election at an upcoming annual meeting of stockholders does not wish to continue in service, the Board of Directors identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board of Directors will be polled for suggestions as to individuals meeting the criteria of the Board of Directors. Research may also be performed to identify qualified individuals. If the Board of Directors believes that it requires additional candidates for nomination, the Board of Directors may explore alternative sources for identifying additional candidates. This may include engaging, as appropriate, a third party search firm to assist in identifying qualified candidates.

The Board will evaluate any recommendation for a director nominee proposed by a stockholder who gives timely written notice to the Secretary of the Company. In order to be timely, the notice must be delivered by a nationally recognized courier service or mailed by first class United States mail, postage or delivery charges prepaid, and received by the Company at 244 Madison Avenue, PMB #358, New York, New York 10016 not earlier than fifty (50) days or more than eighty (80) days prior to the scheduled date of the annual meeting, provided, however, that if fewer than sixty (60) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so delivered or mailed and received not later than the close of business on the tenth (10th) day following the earlier of (a) the day on which such notice of the date of the meeting was mailed or (b) the day on which such public disclosure was made. Additionally, the Company's Bylaws require that all stockholder notices for director nominations contain the following information:

- As to each person whom the stockholder proposes to nominate for election or reelection as a director:
 - the name, age, business address and residence address of the person;
 - the principal occupation or employment of the person;
 - the class, series and number of shares of capital stock of the Company that are owned beneficially by the person on the date of such stockholder's notice;
 - a statement as to the person's citizenship; and

- any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, including, without limitation, such person's written consent to being named in the Proxy Statement as a nominee and to serving as a director if elected.
- As to the stockholder giving the notice:
 - the name and address, as such information appears on the Company's books, of such stockholder and any other stockholders known by such stockholder to be supporting such nominee(s);
 - the class, series and number of shares of capital stock of the Company that are owned beneficially by the stockholder and each other stockholder known by such stockholder to be supporting such nominee(s) on the date of such stockholder's notice; and
 - a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice.
- A description of all arrangements or understandings between the stockholder and each nominee and other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder.

The Board will evaluate recommendations for director nominees submitted by directors, management or qualifying stockholders in the same manner, using the criteria stated above.

All directors and director nominees will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Board.

Communications with Directors

If a stockholder wishes to communicate with the Board, they may send their communication in writing to: Secretary, ALJ Regional Holdings, Inc., 244 Madison Avenue, PMB #358, New York, New York 10016. Such stockholder must include their name and address in the written communication and indicate whether they are a stockholder of the Company. The Secretary will review any communication received from a stockholder, and all material communications from stockholders will be forwarded to the appropriate director or directors or the Board based on the subject matter.

Director Compensation

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

Required Vote

The one (1) Class III nominee receiving the highest number of affirmative votes of the shares present and voting at the Annual Meeting in person or by proxy will be elected as the Class III director. Each proxy cannot be voted for a greater number of persons than one.

**THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE
"FOR" THE ELECTION OF JESS M. RAVICH AS THE ONE (1) CLASS III DIRECTOR.**

PROPOSAL 2
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board has appointed Mountjoy as the independent registered public accounting firm for KES (and, if the Company were to proceed with a Listing, as the independent registered public accounting firm for the Company as well) for the fiscal year ending September 30, 2012 and has further directed that such appointment be submitted for ratification by the stockholders at the Annual Meeting.

Stockholder ratification of the appointment of Mountjoy as the independent registered public accounting firm is not required by the Company's Bylaws or otherwise. However, the Board is submitting the appointment of Mountjoy to the stockholders for ratification as a matter of good corporate governance. If the stockholders fail to ratify the appointment, the Board will reconsider whether or not to retain Mountjoy or engage a different firm. Even if the appointment is ratified, the Board, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

As part of its duties, the Board considers whether the provision of services, other than audit services, during the fiscal year ended September 30, 2011 by Mountjoy, KES' independent auditor for that period, is compatible with maintaining the auditor's independence. The following table sets forth the aggregate fees billed to the Company for the fiscal years ended September 30, 2011 and 2010 by Mountjoy. During the fiscal years ended September 30, 2011 and 2010, Mountjoy's audit was limited to KES. The Company's consolidated financial statements were prepared and certified by management and not audited by Mountjoy.

	2011	2010
Audit Fees (1)	\$ 55,544	\$ 54,126
Audit-Related Fees (2)	\$ 5,000	\$ 5,000
Tax Fees (3)	\$ 22,500	\$ 22,500
All Other Fees	\$ 0	\$ 0

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- (1) Consist of fees billed for professional services rendered for the audit of KES' annual financial statements and review of the interim financial statements included in quarterly reports and services that are normally provided by the Company's independent registered public accounting firm in connection with statutory and regulatory filings or engagements.
 - (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees."
 - (3) Tax Fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. The Company's taxes are completed by RSM McGladery.

Required Vote

The affirmative vote of a majority of the votes cast at the meeting at which a quorum is present, either in person or by proxy, is required to approve this proposal.

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF MOUNTJOY AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR KES (AND, IF THE COMPANY WERE TO PROCEED WITH A LISTING, THE RATIFICATION OF THE APPOINTMENT OF MOUNTJOY AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY AS WELL) FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012

PROPOSAL 3
STOCKHOLDER PROPOSAL REGARDING LISTING ON NATIONAL SECURITIES EXCHANGE

The following stockholder proposal and stockholder's supporting statement has been submitted to the Company for action at the Annual Meeting by Joseph Corso, Jr., 167 Zock Road, Cuddebackville, NY 12729, who owns 12,011,000 shares of the Company's common stock. The stockholder proposal and supporting statement are presented below as submitted by the stockholder, are quoted verbatim and are in italics. The Company disclaims all responsibility for the content of the proposal and the supporting statement.

Stockholder Proposal

That the Company take all actions necessary and appropriate, in the discretion of its Board of Directors, to pursue and effect the listing of its common stock on a national securities exchange (e.g., The Nasdaq Stock Market, NYSE Amex LLC or such other exchange as is determined by the Company's Board of Directors) (the "Listing"), subject to the Company satisfying the initial listing standards of such exchange.

Stockholder's Supporting Statement

The Company ceased filing reports with the Securities and Exchange Commission in approximately 2006 and has traded in the "pink sheets". The listing of the Company's common stock on a national securities exchange will make our common stock more attractive to a broader range of investors and enhance the trading market and liquidity of our common stock. I believe that the listing of our common stock on a national securities exchange is in the Company's and our stockholders' best interests. Any incremental costs associated with being a public company should be mitigated by the provisions of the JOBS Act that are designed to make it easier for companies with less than \$1 billion of revenue to become public companies. Additionally, the increased visibility of the common stock on a national securities exchange will enhance value for all stockholders.

Board of Directors' Statement in Opposition to the Proposal

The Company's Board of Directors recommends a vote "AGAINST" this stockholder proposal. Unless otherwise specified, proxies will be voted "AGAINST" the proposal. The Board has considered this proposal and believes that it is not in the best interests of the Company or its stockholders.

A stockholder has suggested that the Company pursue and effect a Listing in order to improve the visibility and liquidity of the Company's common stock. The Board of Directors opposes this proposal because it believes that a Listing would impose substantial costs, including ongoing compliance costs, that outweigh any potential benefits of a Listing.

The Company's common stock currently trades below the price that would satisfy the initial listing standards of certain national securities exchanges. As contemplated under the other stockholder proposal, Proposal 4, the Company would need to effect a reverse stock split in order to increase the per share trading price sufficient to satisfy the initial listing standards of such exchanges. However, the Board believes that a reverse stock split could have a negative effect on the liquidity and trading price of the Company's common stock. As discussed in more detail under the heading "Board of Directors' Statement in Opposition to the Proposal" under Proposal 4 below, stockholders will own a fewer number of shares than they currently own following a reverse stock split, which may result in some stockholders owning "odd lots" of less than 100 shares of the Company's common stock, which may be more difficult and costly to sell. A reverse stock split also may not increase the per share price of the Company's common stock in proportion to the reduction in the number of shares of the Company's common stock outstanding or result in a permanent increase in the per share price. In fact, the stock price of some companies that have effected reverse stock splits has subsequently declined back to pre-reverse stock split levels.

Even if the Company were able to meet applicable listing requirements by a reverse stock split, the Company would be subject to significant costs in connection with a Listing. In order to satisfy the initial listing requirements of a national securities exchange, the Company would have to register its common stock with the U.S. Securities and Exchange Commission (the "SEC") by filing a registration statement and becoming a reporting company under the Securities Exchange Act of 1934 (the "Exchange Act"). The Company may incur significant

accounting and legal fees in preparing a registration statement, and significant SEC filing fees, financial printer expenses, transfer agent fees and exchange fees in effecting the Listing. Further, prior to the fiscal year ending September 30, 2012, Mountjoy's audit has been limited to KES. The Company's consolidated financial statements were prepared and certified by management and not audited by Mountjoy. In connection with filing a registration statement, the Company would need to obtain an audit at the parent level for its prior two fiscal years (*i.e.*, the fiscal years ended September 30, 2011 and 2010), which may result in substantial costs.

Once a Listing is completed and the Company is operating as an Exchange Act reporting company and trading on a national securities exchange, the Company will continue to incur increased costs as it complies with the rules and regulations promulgated by both the SEC and the national securities exchange. For example, the Sarbanes-Oxley Act of 2002 would impose costly requirements, including management reporting on the adequacy of internal control over financial reporting. Exchange Act reporting companies are also required to file current and periodic reports, which will require the continued involvement of legal counsel. Although the Company currently provides annual and quarterly reports, it is not subject to many Exchange Act requirements relating to such disclosures, and becoming compliant with such requirements will be costly. Also, there will be continuing audit fees for annual audits and review of interim financial statements.

For the foregoing reasons, the Board of Directors believes that this stockholder proposal is not in the best interests of the Company or its stockholders and recommends a vote "**AGAINST**" this proposal.

Vote Required

The affirmative vote of a majority of the votes cast at the meeting at which a quorum is present, either in person or by proxy, is required to approve this proposal. **In counting votes, abstentions and broker non-votes will not be counted and will not affect the outcome of the vote. This proposal is advisory in nature and not binding on the Board of Directors or the Company.**

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE PROPOSAL THAT THE COMPANY TAKE ALL ACTIONS NECESSARY AND APPROPRIATE, IN THE DISCRETION OF ITS BOARD OF DIRECTORS, TO PURSUE AND EFFECT THE LISTING OF ITS COMMON STOCK ON A NATIONAL SECURITIES EXCHANGE (*E.G.*, THE NASDAQ STOCK MARKET, NYSE AMEX LLC OR SUCH OTHER EXCHANGE AS IS DETERMINED BY THE COMPANY'S BOARD OF DIRECTORS), SUBJECT TO THE COMPANY SATISFYING THE INITIAL LISTING STANDARDS OF SUCH EXCHANGE.

PROPOSAL 4

STOCKHOLDER PROPOSAL REGARDING REVERSE STOCK SPLIT

The following stockholder proposal and stockholder's supporting statement has been submitted to the Company for action at the Annual Meeting by Joseph Corso, Jr., 167 Zock Road, Cuddebackville, NY 12729, who owns 12,011,000 shares of the Company's common stock. The stockholder proposal and supporting statement are presented below as submitted by the stockholder, are quoted verbatim and are in italics. The Company disclaims all responsibility for the content of the proposal and the supporting statement.

Stockholder Proposal

That in connection with effecting the Listing, the Company file an amendment to its certificate of incorporation to effect a reverse stock split of its common stock by a ratio of between 13-1 to 20-1, as determined by the Company's Board of Directors, such that upon filing of the Certificate of Amendment with the Secretary of State of the State of Delaware, for every thirteen (13) to twenty (20) shares of common stock of the Company outstanding immediately preceding the filing of such Certificate of Amendment, as determined by the Company's Board of Directors, one (1) share of common stock shall be outstanding.

Stockholder's Supporting Statement

I am submitting this proposal regarding a reverse stock split to the stockholders for approval with the primary intent of increasing the per share market price of our common stock to enhance our ability to meet the initial listing requirements of a national securities exchange, which I believe will make our common stock more attractive to a broader range of investors and enhance the trading market and liquidity of our common stock. As discussed below, the reverse stock split should have the effect of increasing the market price of our common stock in order to satisfy the initial listing requirements of a national securities exchange. Accordingly, for these and other reasons discussed below, I believe that effecting the reverse stock split is the Company's and its stockholders' best interests.

In addition, I believe the reverse stock split will make our common stock more attractive to a broader range of investors, as I believe that the current market price of our common stock may prevent certain institutional investors, professional investors and other members of the investing public from purchasing our stock. Many brokerage houses and institutional investors have internal policies and practices that either prohibit them from investing in low-priced stocks or may prohibit individual brokers from recommending low-priced stocks to their customers. Furthermore, some of those policies and practices may function to make the processing of trades in low-priced stocks economically unattractive to brokers. Moreover, because brokers' commissions on low-priced stocks generally represent a higher percentage of the stock price than commissions on higher-priced stocks, the current average price per share of common stock can result in individual stockholders paying transaction costs representing a higher percentage of their total share value than would be the case if the share price were higher. I believe that the reverse stock split will make our common stock a more attractive and cost effective investment for many investors, which we in turn believe would enhance the liquidity of the holders of our common stock.

Board of Directors' Statement in Opposition to the Proposal

The Company's Board of Directors recommends a vote "AGAINST" this stockholder proposal. Unless otherwise specified, proxies will be voted "AGAINST" the proposal. The Board has considered this proposal and believes that it is not in the best interests of the Company or its stockholders.

The Board of Directors opposes this stockholder proposal because it believes that any increase in the trading price of the Company's common stock that results from a decrease in the number of outstanding shares may be negated by a corresponding decrease in liquidity and the negative perception of reverse stock splits held by some investors, analysts and other stock market participants.

The Company's common stock currently trades below the price that would satisfy the initial listing standards of certain national securities exchanges in connection with the Listing contemplated under Proposal 3. This stockholder proposal would effect a reverse stock split in order to reduce the number of outstanding shares of

the Company's capital stock, thereby increasing the per share trading price sufficient to meet the initial listing standards of such exchanges.

However, any increase in the trading price of the Company's common stock as a result of a reverse stock split may be negated by the adverse effect on liquidity that might be caused by a reduced number of shares issued and outstanding after the reverse stock split. If a reverse stock split is effected, the Company's stockholders will own a fewer number of shares than they currently own (a number equal to the number of shares owned immediately prior to the reverse stock split divided by the applicable number within the approved range). If approved and implemented, the reverse stock split may result in some stockholders owning "odd lots" of less than 100 shares of the Company's common stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in "round lots" of even multiples of 100 shares.

A reverse stock split may not increase the per share price of the Company's common stock in proportion to the reduction in the number of shares of the Company's common stock outstanding or result in a permanent increase in the per share price (which depends on many factors, including the Company's performance, prospects and other factors that may be unrelated to the number of shares outstanding). The stock price of some companies that have effected reverse stock splits has subsequently declined back to pre-reverse stock split levels. Further, other factors such as the Company's financial results, market conditions, the state of the Company's industry and the market perception of the Company's business may adversely effect the market price of the Company's common stock. As a result, there can be no assurance that the price of the Company's common stock would be maintained at the per share price in effect immediately following the effective time of the reverse stock split. Further, even if the Company's stock price satisfies an exchange's minimum bid price listing requirements, the Company may fail to meet other listing requirements.

For the foregoing reasons, the Board of Directors believes that this stockholder proposal is not in the best interests of the Company or its stockholders and recommends a vote "AGAINST" this proposal.

Vote Required

The affirmative vote of a majority of the shares of common stock of the Company outstanding and entitled to vote at the Annual Meeting, either in person or by proxy, is required to approve this proposal. **In counting votes, abstentions and broker non-votes will be treated as votes against this proposal. This proposal is advisory in nature and not binding on the Board of Directors or the Company.**

THE COMPANY'S BOARD OF DIRECTORS RECOMMENDS A VOTE "AGAINST" THE PROPOSAL THAT IN CONNECTION WITH EFFECTING THE LISTING, THE COMPANY FILE AN AMENDMENT TO ITS CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT OF ITS COMMON STOCK BY A RATIO OF BETWEEN 13-1 TO 20-1, AS DETERMINED BY THE COMPANY'S BOARD OF DIRECTORS, SUCH THAT UPON FILING OF THE CERTIFICATE OF AMENDMENT WITH THE SECRETARY OF STATE OF THE STATE OF DELAWARE, FOR EVERY THIRTEEN (13) TO TWENTY (20) SHARES OF COMMON STOCK OF THE COMPANY OUTSTANDING IMMEDIATELY PRECEDING THE FILING OF SUCH CERTIFICATE OF AMENDMENT, AS DETERMINED BY THE COMPANY'S BOARD OF DIRECTORS, ONE (1) SHARE OF COMMON STOCK SHALL BE OUTSTANDING.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of June 13, 2012, the beneficial ownership of common stock with respect to (i) each person who was known by the Company to own beneficially more than 5% of the outstanding shares of common stock, (ii) each director, (iii) the Company's chief executive officer, and (iv) all directors and executive officers as a group. As of June 13, 2012, the Company had 57,246,598 shares of common stock issued and outstanding, which was the only class of voting securities authorized or outstanding.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Executive Officers and Directors:		
Robert Scott Fritz, Director 711 Sycamore Avenue Tinton Falls, NJ 07701	754,011	1.32%
Hal G. Byer, Director c/o Houlihan Lokey 10250 Constellation Blvd., 5 th Floor Los Angeles, CA 90067	516,028	* %
Jess M. Ravich, Chairman of the Board 149 S. Barrington Ave., #828 Los Angeles, CA 90049	13,154,569(2)	22.98%
John Scheel, Chief Executive Officer, President and Director c/o KES Acquisition Company P.O. Box 2119 Ashland, Kentucky 41105	738,460	1.29%
Olimpio Lee Squitieri, Director c/o Squitieri & Fearon, LLP 32 East 57 th Street, 12 th Floor New York, New York 10022	1,505,510(3)	2.63%
T. Robert Christ, Chief Financial Officer P.O. Box 99418 San Diego, CA 92169	200,000(4)	* %
All current directors and officers as a group	16,868,578(5)	29.47%
5% Stockholders:		
Joseph Corso, Jr. 167 Zock Road Cuddlebackville, NY 12729	12,011,000(6)	20.98%
Palermo Ravich Foundation 5700 Wilshire Blvd., Suite 2000 Los Angeles, CA 90036	4,044,834	7.07%

* 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 June 13, 2012 are deemed outstanding for the purpose of computing the percentage ownership of the person holding such options 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 192,968 shares held by Mr. Ravich, 10,961,601 shares held by the Ravich Revocable Trust of 1989 and 2,000,000 shares issuable upon exercise of currently vested options held by Mr. Ravich.

(3) Includes 200,000 shares held in a custodial account for the benefit of Mr. Squitieri's daughter over which he has dispositive power. Mr. Squitieri disclaims beneficial ownership for these shares.

(4) Includes 200,000 shares issuable upon exercise of currently vested options.

(5) Includes 2,200,000 shares issuable upon exercise of currently vested options.

(6) Based on information provided by Mr. Corso.

Certain Relationships and Related Transactions

Since the acquisition of the Mill, the Mill has been operating under a Management Services Agreement (the “**Pinnacle Agreement**”) with Pinnacle Steel, LLC (“**Pinnacle**”). Pinnacle is entitled to a monthly management fee and a management incentive fee as provided in the Pinnacle Agreement. John Scheel, a director of the Company, is a principal of and receives compensation from Pinnacle.

Jess M. Ravich, who is the Chairman of the Board and a director of KES, holds: (1) subordinated term loans (“**Subordinated Loans**”) under the Subordinated Financing Agreement dated as of July 20, 2009 by and among KES, the lenders a party thereto and Ableco Finance LLC as collateral and administrative agent, (2) Series B Common Stock of KES, (3) either directly or through a related trust, 11,154,569 shares of the Company’s common stock, (4) 2,000,000 shares of the Company’s Common Stock issuable upon exercise of currently vested options and (5) 1,187 shares of Series A Preferred Stock of KES. Additionally, Libra Securities, an affiliate of Mr. Ravich, holds Subordinated Loans and 712 shares of Series A Preferred Stock of KES.

Robert Scott Fritz and Hal G. Byer, both directors of the Company, are holders of Subordinated Loans and shares of Series B common stock of KES.

On February 15, 2011, the Company repurchased 25,390, 33,854 and 10,156 shares of its Series A Preferred Stock (the “**ALJ Repurchased Stock**”) from Messrs. Fritz, Byer, and Jon Diamond, a former director of the Company, respectively, plus accrued dividends thereon for aggregate consideration of \$277,600 (the “**ALJ Stock Repurchase**”). The ALJ Repurchased Stock had a face value of approximately \$277,600 plus accrued dividends of approximately \$147,485. The ALJ Stock Repurchase was effected pursuant to stock repurchase agreements between the Company and the holders of the ALJ Repurchased Stock dated February 15, 2011.

On June 16, 2011, the Company repurchased the remaining 305,156 shares of its Series A Preferred Stock, including all accrued but unpaid dividends thereon (the “**Ravich Repurchased Stock**”), from a trust related to Mr. Ravich, for aggregate consideration of 3,774,632 shares of the Company’s common stock (the “**Ravich Stock Repurchase**”). The aggregate liquidation value of the Ravich Repurchased Stock was approximately \$1,887,316. The Ravich Stock Repurchase took place at an implied price of \$0.50 per share. The Ravich Stock Repurchase was effected pursuant to a Series A Preferred Stock Exchange Agreement between the Company and the holder of the Ravich Repurchased Stock dated June 16, 2011. Following the Ravich Stock Repurchase, there are no shares of Series A Preferred Stock outstanding.

In connection with the refinance of KES’ credit facility in September 2011, KES entered into a Fee and Reimbursement Agreement dated as of September 30, 2011 by and among KES, Mr. Ravich, a trust related to Mr. Ravich, and another guarantor. Mr. Ravich, the related trust and the other guarantor collectively guaranteed KES’ term loan under the credit facility. KES agreed to pay the related trust a one-time fee of \$100,000 at the closing on September 30, 2011, and \$250,000 upon and in the event that Mr. Ravich shall cease to be a member of the Board other than by reason of his voluntary resignation therefrom. In connection with the prior refinance of KES’ credit facility in May 2010, KES entered into a Fee and Reimbursement Agreement dated as of May 28, 2010 by and among KES, Mr. Ravich and the related trust. Mr. Ravich and the related trust collectively guaranteed KES’ term loan under the credit facility. KES agreed to pay Mr. Ravich and the related trust a one-time fee of \$100,000 at the closing on May 28, 2010, and an additional \$50,000 on the first anniversary of the closing.

On September 30, 2011, KES repurchased \$9.1 million of aggregate principal of the Subordinated Loans plus \$2.9 million in accrued interest thereon from the holders thereof. The Subordinated Loans repurchased included principal of \$49,084 repurchased from Mr. Fritz, principal of \$87,587 repurchased from Mr. Byer, principal of \$1.8 million repurchased from a trust related to Mr. Ravich, principal of \$2.1 million repurchased from Libra Securities and principal of \$140,836 repurchased from the Company.

The terms of all of the foregoing transactions were approved by the independent members of the Board.

STOCKHOLDER PROPOSALS

Under the Company's Bylaws, a stockholder who wishes to make a proposal at the 2013 annual meeting of stockholders must deliver notice to the Company by a nationally recognized courier service or first class United States mail, postage or delivery charges prepaid, and such notice must be received at the principal executive offices of the Company addressed to the attention of the Secretary of the Company not earlier than ninety (90) days nor more than one hundred twenty (120) days in advance of the date that this Proxy Statement is released to the stockholders in connection with this year's annual meeting of stockholders; provided, however, that in the event that no annual meeting is held this year or the date of the 2013 annual meeting has been changed by more than thirty (30) days from the date of this year's annual meeting as contemplated at the time of this Proxy Statement, notice by the stockholder must be received by the Secretary of the Company not later than the close of business on the later of (a) the ninetieth (90th) day prior to such annual meeting and (b) the seventh (7th) day following the day on which public announcement of the date of such meeting is first made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the Company, the language of the proposed amendment), and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class, series and number of shares of the Company that are owned beneficially and of record by the stockholder and such beneficial owner, (iv) any material interest of the stockholder in such business, and (v) any other information that is required to be provided by the stockholder pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder in such stockholder's capacity as a proponent of a stockholder proposal.

ANNUAL REPORT

The Company's Annual Report for the fiscal year ended September 30, 2011 is available at www.voteproxy.com, www.pinksheets.com and www.aljregionalholdings.com. The Company's Annual Report does not constitute, and should not be considered, a part of this Proxy.

OTHER MATTERS

If any other matters are properly brought before the meeting, it is the intention of the persons named in the proxy to vote on such matters in accordance with their best judgment.

All stockholders are urged to complete, sign, date and return the Proxy Card, or vote by telephone or by Internet.

By Order of the Board of Directors

/s/ John Scheel
John Scheel
*President, Chief Executive Officer
and Class I Director*

June 27, 2012