

ModusLink Global Solutions Inc
Form PREC14A
December 28, 2012
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ..
Filed by a Party other than the Registrant x

Check the appropriate box:

- x Preliminary Proxy Statement
- .. Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- .. Definitive Proxy Statement
- .. Definitive Additional Materials
- .. Soliciting Material Under Rule 14a-12

ModusLink Global Solutions, Inc.
(Name of Registrant as Specified in Its Charter)

PEERLESS SYSTEMS CORPORATION
TIMOTHY E. BROG
JAMES W. WESTPHAL

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
 - .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(4) Proposed maximum aggregate value of transaction:

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY SUBJECT TO COMPLETION
DATED DECEMBER 28, 2012

PEERLESS SYSTEMS CORPORATION

January [], 2013

Dear Fellow Stockholder:

Peerless Systems Corporation (“Peerless”), a significant and long-term stockholder of ModusLink Global Solutions, Inc. (“ModusLink” or the “Company”), owns approximately 2.2% of the Company’s outstanding common stock, par value \$.01 per share (the “Common Stock”). Our sole objective is to preserve and then maximize stockholder value. During 2012, the Board of Directors has presided over a failed strategic alternatives process, an inquiry from the Securities and Exchange Commission (the “SEC”) and an internal investigation which determined that certain client contracts had not been “properly aligned with best corporate practices.” Even more disconcerting, an internal accounting evaluation concluded that its previously issued financial statements should no longer be relied upon. As such, the Company announced that it is restating the past five years of its financial reporting and delaying the filings of both its Quarterly Reports on Form 10-Q and its Annual Report on Form 10-K for the period ended July 31, 2012. The Company also received notification from NASDAQ that it is non-compliant with the NASDAQ listing rules as a result of its failure to file such Forms 10-Q and Form 10-K on time. Furthermore, the Company removed its former Chief Executive Officer without, after almost six months time, naming a successor and we are extremely concerned that there is no leadership during this crucial time period. Despite numerous promises made by ModusLink’s management that they were implementing policies at the Company that would improve the operating performance and ultimately the stock price things have only gotten worse. Since the 2011 annual meeting of stockholders (the “2011 Annual Meeting”), held on January 20, 2012, the price of ModusLink’s common stock has declined by 47.3% through December 21, 2012. We believe it is evident that the Board of Director’s sense of urgency to implement a viable turnaround is lacking and we question who is safe guarding our investment. The status quo is no longer acceptable. **IT IS TIME FOR A CHANGE.**

As a stockholder of the Company, are you better off today than you were one year ago, three years ago, five years or six years ago? If you are better off today than at any of those dates in time, then perhaps you should consider voting for the Company’s nominees. However, if you are not better off today and you feel **IT IS TIME FOR A CHANGE**, we urge you to support our Nominees (defined below) and send a loud and clear message to the ModusLink Board. **IT IS TIME FOR A CHANGE.**

Remember that the closing price of ModusLink Common Stock and its enterprise value of the Company on December 21, 2012, the day that Moduslink filed its Preliminary Proxy Statement (the “Announcement Date”), was \$2.98 per share and \$23 million, respectively.

Our nominees, Timothy E. Brog and James W. Westphal (the “Peerless Nominees” or “Nominees”), will represent two members of the Company’s seven person Board. Accordingly, our Nominees will not be able to adopt any measures without the support of at least several other members of the current Board. Nevertheless, we believe that the election of our Nominees will provide a strong signal to the current Board of Directors that the stockholders of ModusLink want the Company to move in a new direction as opposed to continuing its failed policies of the past.

We are soliciting proxies to elect our director nominees, Timothy Brog and James Westphal. The names, backgrounds and qualifications of the Company’s nominees, and other information about them, can be found in the Company’s proxy statement.

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Peerless urges you to carefully consider the information contained in the attached Proxy Statement and then support its efforts by signing, dating and returning the enclosed GOLD proxy card today. The attached Proxy Statement and the enclosed GOLD proxy card are first being furnished to the stockholders on or about _____, 2013.

If you have already voted for the incumbent management slate, you have every right to change your vote by signing, dating and returning a later dated GOLD proxy card.

If you have any questions or require any assistance with your vote, please contact [_____], which is assisting us, at its address and phone numbers listed below.

Thank you for your support.

Timothy Brog
Chairman and Chief Executive Officer
Peerless Systems Corporation

If you have any questions, require assistance in voting your GOLD proxy card, or need additional copies of Peerless' proxy materials, please call [_____], at the phone numbers listed below.

[_____]],[_____] .
[_____]]
[_____]]
Call Toll-Free: [_____]]
Banks and Brokerage Firms Call Collect [_____]]

2012 ANNUAL MEETING OF STOCKHOLDERS

OF

MODUSLINK GLOBAL SOLUTIONS, INC.

PROXY STATEMENT

OF

PEERLESS SYSTEMS CORPORATION

Peerless Systems Corporation, a Delaware Corporation (“Peerless”), is a significant stockholder of ModusLink Global Solutions, Inc., a Delaware corporation (“ModusLink” or the “Company”). Peerless believes that the ModusLink Board of Directors (the “Board”) and its senior management team has overseen a continuous decline in operating performance, investments that have quickly lost significant value, a declining stock price and a chronically shrinking enterprise value. Peerless believes that IT IS TIME FOR A CHANGE. Peerless is therefore seeking your support at the annual meeting of stockholders scheduled to be held at _____, on _____, 2013 at _____ Eastern time, including any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the “Annual Meeting”), relating to the following proposals:

1. To elect Timothy Brog and James Westphal to the Company’s Board of Directors to each serve as a director for a three-year term expiring in 2015 or until a successor is duly elected and qualified;
2. To amend the Company’s Restated Certificate of Incorporation to declassify the Board of Directors;
3. To approve, on an advisory basis, the compensation of ModusLink’s named executive officers;
4. To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the current fiscal year; and
5. The transaction of other business as may come properly before the Annual Meeting or any meetings held upon postponement or adjournment of the Annual Meeting.

As of the date hereof, Peerless owns 965,213 shares of ModusLink Common Stock, representing approximately 2.2% of the outstanding shares. Peerless is the record owner of 100 shares of Common Stock and the beneficial owner of an additional 965,113 shares of Common Stock.

ModusLink has set the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting as _____, 2013 (the “Record Date”). Stockholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to ModusLink, as of the Record Date, there were [_____] shares of Common Stock outstanding and entitled to vote at the Annual Meeting. Peerless intends to vote all of its Common Stock FOR the election of Timothy Brog and James Westphal, the Peerless Nominees, FOR the amendment to the Company’s Restated Certificate of Incorporation to declassify the Board of Directors, AGAINST the compensation paid to the Company’s named executive officers and ABSTAIN on the ratification of KPMG as the

Company's Independent Auditors, but reserves the right to change any such intention at its discretion

THIS SOLICITATION IS BEING MADE BY PEERLESS AND NOT ON BEHALF OF THE BOARD OF DIRECTORS OR MANAGEMENT OF THE COMPANY. PEERLESS IS NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING. SHOULD OTHER MATTERS, WHICH PEERLESS IS NOT AWARE OF A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED GOLD PROXY CARD WILL VOTE ON SUCH MATTERS IN THEIR DISCRETION.

PEERLESS URGES YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE ELECTION OF TIMOTHY BROG AND JAMES WESTPHAL, IN FAVOR OF THE AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS AND AGAINST THE COMPENSATION PAID TO THE COMPANY'S EXECUTIVE OFFICERS. PEERLESS IS NOT MAKING ANY RECOMMENDATION RELATING TO THE RATIFICATION OF KPMG AS THE COMPANY'S INDEPENDENT AUDITORS.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY MODUSLINK MANAGEMENT TO MODUSLINK, YOU MAY REVOKE THAT PROXY AND VOTE FOR THE ELECTION OF TIMOTHY BROG AND JAMES WESTPHAL, FOR THE AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS AND AGAINST THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS, BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED GOLD PROXY FOR THE ANNUAL MEETING TO PEERLESS, C/O [] WHICH IS ASSISTING IN THIS SOLICITATION, OR TO THE SECRETARY OF MODUSLINK, OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

IMPORTANT

Your vote is important, no matter how few shares of Common Stock you own. Peerless urges you to sign, date and return the enclosed GOLD proxy card today to vote FOR the election of the Peerless Nominees, FOR the amendment to the Company's Restated Certificate of Incorporation to declassify the Board of Directors and AGAINST the compensation paid to the Company's executive officers.

If your shares of Common Stock are registered in your own name, please sign and date the enclosed GOLD proxy card and return it to Peerless, c/o [], in the enclosed envelope today.

If your shares of Common Stock are held in a brokerage account or bank, you are considered the beneficial owner of the shares, and these proxy materials, together with a GOLD voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your shares of Common Stock on your behalf without your instructions.

Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any proxy card you receive from the Company. Even if you return the Company's proxy card marked "withhold" as a protest against the incumbent directors, it will revoke any proxy card you may have previously sent to Peerless. Remember, you can vote for our Nominees only on our GOLD proxy card. So please make certain that the latest dated proxy card you return is the GOLD proxy card.

If you have any questions regarding your proxy, or need assistance in voting your shares of Common Stock, please call:

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Call Toll-Free: []

Banks and Brokerage Firms Call Collect: []

REASONS FOR THE SOLICITATION

Peerless believes that the ModusLink Board of Directors and management team continues its collective failure to safeguard shareholder value and are responsible for a chronically declining stock price. Since last year's annual meeting, the following has occurred under their supervision:

- § Failed Strategic Review Process
- § Received an inquiry from the SEC
- § Conducted an internal investigation and found "accounting irregularities"
- § Determined financial results from fiscal 2007 through the first two quarters of fiscal 2012, would need to be restated
- § Failed to file its Quarterly Report on Form 10-Q for the April 30, 2012 and October 31, 2012 time periods as well as its Annual Report on Form 10-K for the period ended July 31, 2012
- § Non-Compliant with NASDAQ listing requirements and received threat of being delisted
- § Failed to appoint a new Chief Executive Officer to lead the Company, more than six months after the position effectively became vacant
- § The share price of the Company's Common Stock has declined by 47.3% through the Announcement Date

Over the past five fiscal years through the Announcement Date, approximately 94% of the Company's enterprise value has been destroyed. In our opinion, this decline was the result of poorly executed operating strategies, a series of unsuccessful acquisitions, and general sense of complacency at the Board. Where is the sense of urgency to restore investor confidence and stockholder value?

MODUSLINK'S PERFORMANCE OVER THE PAST FIVE YEARS HAS BEEN A DISASTER FOR STOCKHOLDERS

When measured by almost any financial metric, ModusLink's performance over the last five years has, in our opinion, been disastrous for the Company's stockholders. Consider the following:

The Board announced, on November 16, 2011, that the Company would be exploring strategic alternatives (the "Strategic Review Process") to enhance stockholder value. As part of the Strategic Review Process, the Board retained an investment bank to assist it with the process which included the possible sale of certain of the Company's assets as well as the consideration of other options. It has now been over one year and the Board has yet to inform its stockholders of any meaningful progress, if any, from the Strategic Review Process. In our view, the Board has overseen a failed process that has not yielded any tangible benefits to ModusLink's stockholders and has proven to be a waste of time and money. Even more disappointing, the price of ModusLink's Common Stock has declined by approximately 30.4% from the closing price the day after the Company publicly disclosed the Strategic Review Process through the Announcement Date. The Board continues to waste time and money pursuing a process, that to date, has given stockholders nothing more than a false hope that change is underway.

ModusLink announced on June 11, 2012 that as a result of accounting irregularities it expects to restate five years of its financial results from fiscal 2007 through the first two quarters of fiscal 2012 and that it would delay filing its Quarterly Report on Form 10-Q for the period ended April 30, 2012. On the date of this announcement ModusLink shares declined 35% intraday to \$2.78 reaching a multi-year low. It subsequently announced that it would delay filing its Quarterly Report on Form 10-Q for the period ended October 31, 2012 as well as its Annual Report on Form 10-K for the period ended July 31, 2012. From the time ModusLink made this announcement the share price of its Common Stock has declined by approximately 30.7% though the Announcement Date. We are both concerned and disappointed that it has

now been over six months since this announcement and ModusLink has still not provided its stockholders with the restated financial statements nor made the required filings with the SEC of its financial reports. Furthermore the Company is non-compliant with NASDAQ listing requirements and received a threat of being delisted.

The Board is using your money to award excessive severance and retention pay packages to executives who were directly responsible for the SEC inquiry, the financial irregularities and subsequent delayed filing of its financial reports with the SEC. After being responsible for such failures, the Board awarded the Company's former Chief Executive Officer a severance package consisting of \$1,451,250, plus the accelerated vesting of up to 66,010 options and 38,923 shares of restricted stock. In addition the Board awarded the former President of Global Operations a \$450,000 severance payment. Furthermore, in the wake of the SEC inquiry and resulting financial restatements, the Board entered into retention agreements with its Chief Financial Officer and General Counsel, the two individuals who have direct oversight over both the financial reporting and SEC related matters, where they each received a \$400,000 bonus. We ask why the Board used approximately \$2.7 million of stockholders' cash to richly reward those who were responsible for putting the Company in peril.

During fiscal years 2008 and 2009, ModusLink spent approximately \$85 million for three acquisitions, and then subsequently wrote down \$60 million or about two-thirds of the value of these ill-fated transactions. The Company has spent stockholder capital on unnecessary and costly initiatives such as implementing SAP Enterprise Resource Planning (“SAP ERP”) software for approximately \$32.6 million. Consider that the enterprise value for ModusLink declined from approximately \$378 million, from when the project was integrated at the end of the Company’s fiscal 2007, to approximately \$23 million on the Announcement Date, representing an astonishing 94% decrease in value.

The aggregate amount of money spent on the three ill-fated acquisitions (\$85 million) and the costly initiative to implement a new ERP system (\$32.6 million), is greater than FIVE times the enterprise value of the entire Company on the Announcement Date.

ModusLink too frequently has failed to deliver on its stated financial and operational growth targets. For example, for the three months period ended January 31, 2012, which is the last time the company filed its financial reports with the SEC, revenues decreased year-over-year by \$55.6 million or by 23.7%, while gross margins declined by 100 basis points year-over-year. On a sequential basis, from the quarter ended October 31, 2011, revenues fell by \$27.6 million and gross margins decreased by 360 basis points.

IT IS TIME FOR A CHANGE.

WE LOST CONFIDENCE IN THE ABILITY OF THE BOARD TO SAFEGAURD THE COMPANY
AND MAXIMIZE STOCKHOLDER VALUE

Based on the continued poor track record of the ModusLink Board, we have no confidence in the ability of its current members to maximize stockholder value. Every member of ModusLink's seven-person Board (except for the two that were added to the Board as part of the Company's settlement in 2010 with The ModusLink Full Value Committee and the Peerless nominee that was elected at the 2011 Annual Meeting) has an average length of service of nine years and has presided over ModusLink's ruinous decline. We question their judgment and business acumen, and it is clear that they do not have the capability to take the tangible steps necessary to improve the performance of the Company. IT IS TIME FOR A CHANGE.

MODUSLINK'S COMMON STOCK PERFORMANCE

Four of the seven members of the Board and the two directors up for election this year have served since August 1, 2007. During their oversight, from the closing price of the Common Stock on July 31, 2007 to the Announcement Date, the value of the Common Stock has plummeted approximately 75.4%, even when you include the \$40 million or \$0.91 per share special dividend paid in March 2011. Over the last three fiscal years, management and the Board have blamed the challenging economy for the Company's poor performance and as a consequence the dismal price of its Common Stock. However, the economy cannot serve as an excuse for the Company's failure to complete a strategic review process in a timely fashion, or for the Company's accounting errors, deficiencies in internal control over financial reporting, restatement of five years of financial statements, and delays in filing annual and quarterly reports with the SEC. The only people that the Chairman should blame are himself, his directors and his management team. We would like to see the Board accept responsibility for their performance. Stockholders are tired of hearing excuses from the Board and management.

Source: Yahoo Finance

* Adjusted for the special dividend of \$.91 per share of Common Stock paid in March 2011

**AS A SIGNIFICANT STOCKHOLDER OF MODUSLINK, WE ARE COMMITTED TO MAXIMIZING VALUE
FOR ALL STOCKHOLDERS**

Peerless is a significant long term stockholder of ModusLink. As such, our interests are aligned with yours. We are interested solely in maximizing the value of the Common Stock for the benefit of all stockholders.

Our Nominees will, if elected, commit themselves to exploring all strategic alternatives to maximize stockholder value and ensuring that the Company undergoes a thorough and comprehensive strategic review of opportunities. Our Nominees will, if elected, constitute a minority of the Board, at least until the 2013 annual meeting or some other change in composition of the Board. Accordingly, the Nominees will not be able to adopt any measures without the support of at least some members of the current Board. The Nominees therefore should be expected to articulate and raise their concerns about ModusLink's business activities and strategy to maximize stockholder value with the rest of the ModusLink Board members.

Our Nominees are committed to:

Ensuring that ModusLink undergoes and completes a thorough and comprehensive strategic review of opportunities to maximize stockholder value. We will argue forcefully for a genuine process to be carried out by the Board and that prudent decisions are made – no fire sales, change of control without a proper premium, or any other potential reactionary decisions to be taken by the Company. On the other hand, we will also attempt to make sure that no attractive offers for all or part of the Company will be rejected without due consideration.

Ensuring that the Company undertakes a thorough line-by-line review of opportunities to cut costs and reduce overhead. We don't believe that now is the time to waste stockholder value by reinvesting any potential costs savings into new growth initiatives. Furthermore, we will make sure that all consulting fees and expenses are justified.

Reducing executive compensation and bonus package to closely align pay with performance.

Seeking to attract new management talent, including retaining a new Chief Executive Officer.

Improving corporate governance practices.

Our interests are clearly aligned with yours, the other stockholders. We want to maximize value for all ModusLink stockholders. We see the opportunity for the Peerless Nominees to participate constructively as directors, and particularly with respect to maximizing value for all stockholders. Our concern is to safeguard stockholder interests and that a sound turnaround plan is quickly instituted. In our view, the performance of the current Board and management team have not served the best interests of the stockholders and raises serious questions as to whether the incumbent directors can provide the best solution to the Company's problems. Their record speaks for itself. IT IS TIME FOR A CHANGE.

**PEERLESS NOMINEES HAVE THE EXPERIENCE
NECESSARY TO ASSIST IN MAXIMIZING STOCKHOLDER VALUE**

Peerless, a significant long term stockholder of ModusLink, has a vested financial interest in maximizing stockholder value for all ModusLink stockholders. Our interests are aligned with the interests of all stockholders. The Peerless Nominees have extensive experience in the financial services industry and global logistics industry as further discussed in the biographical extract below. If elected to the Board, the Peerless Nominees will endeavor to use their experience to assist the Company with the goal of maximizing value for ALL stockholders.

The Peerless Nominees, if elected, will be two of seven directors on the Board. If elected, the Peerless Nominees will, subject to their fiduciary duties as directors, work with the other members of the Board to maximize stockholder value. Although the Peerless Nominees will not be able to adopt any measures without the support of other members of the current Board, we believe that the election of the Peerless Nominees will send a strong message to the Board that IT IS TIME FOR A CHANGE.

BACKGROUND OF THE PROXY SOLICITATION

At the 2011 Annual Meeting, Peerless nominated Timothy E. Brog and Jeffrey S. Wald for election to the Board and presented a non-binding stockholder proposal recommending that the Board amend the Company's certificate of incorporation and the Bylaws to eliminate the Company's classified Board (the "2011 Declassification Proposal"). Mr. Wald was elected to the Company's Board of Directors and the 2011 Declassification Proposal was overwhelmingly approved by stockholders.

Immediately following the 2011 Annual Meeting Mr. Brog on several occasions offered to work with the Company to improve stockholder value and his overtures were rebuffed. Over the past year Peerless attempted to privately communicate with the Company and refrained from making any public statements regarding many negative developments at and by the Company. Peerless was also very careful not to take any actions that might have interfered with the so called Strategic Review Process that the Company initiated in November 2011. On several

occasions during calendar 2012, Mr. Brog communicated with some of the Company's directors to discuss his views on ModusLink's operations, as well as offer constructive advice on how to enhance stockholder value. During those discussions, Mr. Brog requested that the Company consider appointing him to the Board of the Company so he could assist with both the Strategic Review Process as well as help devise and implement a credible turn-around plan for the Company. Mr. Brog never received a response to his requests.

On October 18, 2012, Peerless sent a letter to the Company's corporate secretary providing notice of its intent to nominate two directors, Timothy E. Brog and James W. Westphal, at the Annual Meeting to stand for election to the Board and its intent to present a non-binding stockholder proposal recommending that the Board amend the Company's certificate of incorporation and the Bylaws to eliminate the Company's classified Board.

PROPOSAL 1

ELECTION OF DIRECTORS

Peerless is seeking your support at the Annual Meeting to elect Timothy Brog and James Westphal, our Nominees, in opposition to the two ModusLink director nominees for the election of two Class I directors to serve until the 2015 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The Board is currently composed of seven directors, of which two are up for re-election at the Annual Meeting. We are seeking your support at the Annual Meeting to elect Timothy Brog and James Westphal, the Peerless Nominees, in opposition to the two ModusLink director nominees.

Peerless Nominees

Peerless has nominated Timothy Brog and James Westphal, both highly qualified nominees, who, if elected, will exercise their independent judgment in accordance with their fiduciary duties as directors in all matters that come before the Board. Timothy Brog or James Westphal, Peerless' Nominees, does not have any material relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. They are therefore independent under the Nasdaq Global Market's rules on board independence. They are neither employees of ModusLink, nor are they former employees of ModusLink. They also do not have any personal or business relationships with ModusLink or any current Board member. The Peerless Nominees would seek to maximize value for ALL stockholders. If elected, and subject to their fiduciary duties as directors, the Peerless Nominees would have the ability to work with the other members of the Board to take those steps that they deem necessary or advisable to unlock the Company's intrinsic value.

Set forth below are the age, business address, present principal occupation, employment history and directorships of companies for Timothy Brog and James Westphal for the past five years. This information has been furnished to Peerless by its Nominees. The Peerless Nominees are citizens of the United States of America. The Peerless Nominees have been nominated by Peerless in accordance with the Company's advance notice provision set forth in its By-Laws.

Timothy E. Brog, age 48, has been the Chairman of the Peerless Board of Directors since June 2008, Chief Executive Officer since August 2010 and a director of Peerless since July 2007. Mr. Brog was the Managing Director of Locksmith Capital Management LLC, the portfolio manager to Locksmith Value Opportunity Fund LP, a private investment partnership, from September 2007 to August 2010 and the Managing Director of E2 Investment Partners LLC, a special purpose vehicle to invest in Peerless, from March 2007 to July 2008. Mr. Brog was President of Pembridge Capital Management LLC, the portfolio manager of Pembridge Value Opportunity Fund LP, a deep value activist hedge fund, from June 2004 to September 2007. Mr. Brog was the Managing Director of The Edward Andrews Group Inc., a boutique investment bank from 1996 to 2007. From 1989 to 1995, Mr. Brog was a corporate finance and mergers and acquisitions associate of the law firm Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Brog received a J.D. from Fordham University School of Law in 1989 and a B.A. from Tufts University in 1986. Mr. Brog is also a Director of Eco-Bat Technologies Limited, the world's largest producer of lead and lead alloys. Mr. Brog's operational, legal, investment banking and value investment experience position him well to serve as a director of the Company if elected.

James W. Westphal, age 49, has been a strategy consultant and investment banker to various industries since 1985, with a specialty in logistics, supply chain management and transportation since 1996. Since 2004, Mr. Westphal has been Managing Director of Logistics and Business Services Capital, LLC (and its predecessor company, MergeGlobal, Inc.), a boutique investment bank focused on mergers & acquisitions, restructuring, and strategic advisory work in the global logistics sector. From 2002 to 2004, he was Director of Corporate Strategy and

Acquisitions at Atlantic Aviation, a leading provider of fueling and passenger services to the corporate jet sector. From 2000 to 2002, he was Managing Director and Head of North American Transportation in Deutsche Bank's corporate finance group. From 1994 to 2000, he was Executive Director, Head of North American Transportation, and Head of Global Logistics in UBS' corporate finance group. Mr. Westphal was also an Associate in Salomon Brothers' Mergers & Acquisition group from 1991 to 1994 and a Consultant at Monitor Company, a leading global strategy consulting firm, from 1985 to 1990. He received an MBA and an MA in East Asian Studies from the University of Virginia and a BA in Economics from Amherst College. Mr. Westphal's knowledge relating to the logistics and supply chain management industry would be of significant value to the Company if elected.

There is no assurance that any of the candidates who have been nominated by the Company will serve as a director if a Peerless Nominee is elected. Peerless does not expect that the Peerless Nominees will be unable to stand for election, but in the event that such person is unable to serve or, for good cause, will not serve, the shares represented by the enclosed GOLD proxy card will be voted for substitute nominees to the extent permitted by the Company's By-Laws and applicable law. In addition, Peerless reserves the right to nominate substitute persons if ModusLink makes or announces any changes to its Amended and Restated By-Laws or takes or announces any other action that has, or if consummated would have, the effect of disqualifying the Peerless Nominees. In such cases, Peerless will disseminate a supplement to this proxy statement and a revised proxy card that (i) identifies the substitute nominees, (ii) states that such substitute nominees have consented to being named in the supplement and to serve if elected, (iii) includes the disclosure required by Items 5(b) and 7 of Schedule 14A with respect to such substitute nominees, and (iv) will otherwise comply with any applicable provisions under the Company's By-Laws and SEC rules and regulations. In any such cases, shares of Common Stock represented by the enclosed GOLD proxy card will be voted for such substitute nominees. Peerless reserves the right to nominate additional persons if ModusLink increases the size of the Board above its existing size or increases the number of directors whose terms expire at the Annual Meeting. Additional nominations made pursuant to the preceding sentence are without prejudice to the position of Peerless that any attempt to increase the size of the current Board or to reconstitute or reconfigure the classes on which the current directors serve constitutes an unlawful manipulation of the Company's corporate machinery.

WE STRONGLY RECOMMEND THAT YOU VOTE "FOR" THE ELECTION OF TIMOTHY BROG AND JAMES WESTPHAL, THE PEERLESS NOMINEES, ON THE ENCLOSED GOLD PROXY CARD.

PROPOSAL 2

APPROVAL OF THE AMENDMENT TO THE COMPANY'S
RESTATED CERTIFICATE OF INCORPORATION

Peerless believes that declassifying the ModusLink Board will increase its accountability to all stockholders and minimize the impact of entrenched directors and management. As such, at the 2011 Annual Meeting Peerless put forth a proposal to that effect and its proposal was overwhelmingly approved by stockholders.

One year later, consequently, the Company now agrees with Peerless' position on this matter and its Board has unanimously adopted and is submitting for stockholder approval an amendment to the Company's Restated Certificate of Incorporation (the "Charter Amendment") that would phase in the declassification of the Board and provide instead for the annual election of Directors.

The proposed Amendment eliminates the classification of the Board over a three-year period and provides for the annual election of all Directors beginning at the 2015 annual meeting of stockholders and makes certain conforming changes to the Company's Restated Certificate of Incorporation and the Bylaws. If approved, the Amendment would become effective upon the filing of a certificate of amendment with the Secretary of State of the State of Delaware, which the Company has stated would do promptly after stockholder approval is obtained for the Amendment.

Vote Required

The Company's Restated Certificate of Incorporation provides that the Amendment may only be approved by the affirmative vote of seventy-five percent (75%) of the Company's outstanding voting stock. Therefore, approval of this Proposal 2 requires the affirmative vote of seventy-five percent (75%) of the outstanding shares of Common Stock entitled to vote. Abstentions and "broker non-votes" will have the same effect as votes against this proposal.

**PEERLESS STRONGLY RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT TO DECLASSIFY THE
COMPANY'S BOARD OF DIRECTORS**

