

ModusLink Global Solutions Inc  
Form PRRN14A  
December 05, 2011

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 (Amendment No. 2)

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  
JEFFREY S. WALD

(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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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION  
DATED DECEMBER 5, 2011

PEERLESS SYSTEMS CORPORATION

December 5, 2011

Dear Fellow Stockholder:

Peerless Systems Corporation (“Peerless”), a large stockholder of ModusLink Global Solutions, Inc. (“ModusLink” or the “Company”), owns approximately 2.4% 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. The current Board of Directors has overseen a continuous decline in operating performance, investments that quickly lost significant value, a declining stock price and a chronically shrinking enterprise value. **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 or five 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 the enterprise value of the Company on September 28, 2011, the day prior to our public announcement (the “Announcement Date”) of our intention to solicit proxies in favor of our two Nominees (defined below), was \$3.35 per share and \$21.8 million, respectively.

Our nominees, Timothy E. Brog and Jeffrey S. Wald (the “Peerless Nominees” or “Nominees”), will represent two members of the Company’s eight 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 Jeffrey Wald. The names, backgrounds and qualifications of the Company’s nominees, and other information about them, can be found in the Company’s proxy statement.

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 December 7, 2011.

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 proxy.

If you have any questions or require any assistance with your vote, please contact D.F. King & Co., Inc., 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  
D.F. King & Co., Inc at the phone numbers listed below.

D.F. King & Co., Inc.  
48 Wall Street  
New York, NY 10005  
Call Toll-Free: (800) 347-4750  
Banks and Brokerage Firms Call Collect (212) 269-5550

2011 ANNUAL MEETING OF STOCKHOLDERS

OF  
MODUSLINK GLOBAL SOLUTIONS, INC.

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PROXY STATEMENT

OF  
PEERLESS SYSTEMS CORPORATION

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Peerless Systems Corporation, a Delaware Corporation (“Peerless”), is a large 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 the Norton's Woods Conference Center at the American Academy of Arts and Sciences, 136 Irving Street, Cambridge, Massachusetts 02138, on Friday, January 20, 2012 at 9:00 a.m. local 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 Jeffrey Wald to the Company’s Board of Directors to each serve as a director for a three-year term expiring in 2014 or until a successor is duly elected and qualified;
2. To approve, on an advisory basis, the compensation of ModusLink’s named executive officers;
3. To approve, on an advisory basis, the frequency of future executive compensation advisory votes;
4. To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the current fiscal year;
5. To approve the so called “Tax Benefit Preservation Plan” adopted by the Company’s Board of Directors (the “Board”) on October 17, 2011;
6. To adopt a non-binding resolution that the Company’s Board of Directors amend the Company’s Restated Certificate of Incorporation, as amended and the Company’s Amended and Restated By-Laws on March 2, 2011 (the “By-Laws”), to eliminate the classified Board of Directors; and
7. 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 1,059,528 shares of ModusLink Common Stock, representing approximately 2.4% of the outstanding shares. Peerless is the record owner of 100 shares of Common Stock and the beneficial owner of 1,059,428 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 December 1, 2011 (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 43,831,809 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 Jeffrey Wald, the Peerless Nominees, AGAINST the compensation paid to the Company's named executive officers, FOR one year on the frequency of holding Advisory votes on executive compensation, ABSTAIN on the ratification of KPMG as the Company's Independent Auditors, ABSTAIN on the Tax Benefit Preservation Plan and FOR the Proposal to eliminate the classified Board of Directors.

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 JEFFREY WALD, AGAINST THE COMPENSATION PAID TO THE COMPANY'S EXECUTIVE OFFICERS, FOR ONE YEAR ON THE FREQUENCY OF HOLDING ADVISORY VOTES ON EXECUTIVE COMPENSATION AND FOR THE PROPOSAL TO ELIMINATE THE CLASSIFIED BOARD OF DIRECTORS. PEERLESS IS NOT MAKING ANY RECOMMENDATION RELATING TO THE RATIFICATION OF KPMG AS THE COMPANY'S INDEPENDENT AUDITORS AND ON THE TAX BENEFIT PRESERVATION PLAN.

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 JEFFREY WALD, AGAINST THE COMPENSATION PAID TO THE COMPANY'S NAMED EXECUTIVE OFFICERS, FOR ONE YEAR ON THE FREQUENCY OF HOLDING ADVISORY VOTES ON EXECUTIVE COMPENSATION AND FOR THE PROPOSAL TO ELIMINATE THE CLASSIFIED BOARD OF DIRECTORS 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 D.F. KING & CO. 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, AGAINST the compensation paid to the Company's executive officers, FOR one year on the frequency of holding advisory votes on executive compensation and FOR the Proposal to eliminate the classified Board of Directors.

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 D.F. King & Co., 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:

D.F. King & Co., Inc.  
48 Wall Street  
New York, NY 10005  
Call Toll-Free: (800) 347-4750  
Banks and Brokerage Firms Call Collect: (212) 269-5550

## REASONS FOR THE SOLICITATION

Peerless believes that the ModusLink Board of Directors and Management team have collectively failed to safeguard shareholder value and are responsible for a continuous declining stock price and over the past five fiscal years the destruction of approximately 94% of the Company's enterprise value. In our opinion this decline was the result of poorly executed operating strategies and a series of disastrous acquisitions.

### 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 price of ModusLink's Common Stock has declined by approximately 69% since Joseph Lawler became Chief Executive Officer of the Company in August 2004. The decline was from \$13.80 per share to \$3.35 per share, the price of the Common Stock on the Announcement Date. Just in calendar year 2011, the price per share of Common Stock has declined approximately 37% through the Announcement Date, causing a reduction of approximately \$108 million in stockholder value. These percentage declines and the significant erosion of shareholder value, includes the benefit of the \$0.91 per share dividend paid in March 2011. This erosion of stockholder value can no longer be tolerated.

During the Company's past five fiscal years from August 1, 2006 through July 31, 2011, which is the time period Joseph Lawler has been Chief Executive Officer and Chairman of the Board, operating income (excluding impairment of goodwill and restructuring charges), gross profit and revenues have declined, (169.4%), (29.3%), and (23.7%), respectively. The Company's revenues have incredulously declined even after spending approximately \$85 million in cash on three acquisitions and including the revenues from such acquisitions.

During fiscal year 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.

During Joseph Lawler's tenure as Chairman of ModusLink, the Company's book value per share has declined from approximately \$10.31 to \$5.55 accounting for an approximately 47% loss in book value.

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 \$21.8 million on the Announcement Date, representing a stunning 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 continues to fund their @Ventures venture capital subsidiary, which we consider to be non-core and a distraction to their main business.

ModusLink consistently fails to deliver on its stated financial and operational growth targets.

ModusLink continues to oppose the declassification of its staggered Board and the separation of the roles of the Chairman and CEO positions.

Management has failed, in our opinion, to implement a credible turnaround strategy, as evident by continued deteriorating operating results, and desperately needs new leadership.

IT IS TIME FOR A CHANGE.

WE LOST CONFIDENCE IN THE ABILITY OF THE CURRENT  
BOARD TO MAXIMIZE STOCKHOLDER VALUE

Based on the track record of the ModusLink Board, we have no confidence in the ability of its current members to maximize stockholder value. Every board member of ModusLink's eight-person Board (except for the two that were added to the Board as part of the Company's settlement last year with The ModusLink Full Value Committee) has an average length of service of seven years and has presided over ModusLink's demise. We question their judgment, business acumen and ability to take the tangible steps necessary to improve the performance of the Company. IT IS TIME FOR A CHANGE.

MODUSLINK'S COMMON STOCK PERFORMANCE

Six of the eight members of the Board have served since August 1, 2006. During their oversight, from the closing price of the Common Stock on July 31, 2006 to the Announcement Date, the value of the Common Stock has plummeted approximately 59%, even when you include the \$40 million or \$0.91 per share special dividend paid in March 2011. Over the last three fiscal years, Joseph Lawler, the Chairman and CEO, has blamed the economy for the Company's poor performance and as a consequence the dismal price of its Common Stock. 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 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.

Although our Nominees do not have specific plans as of this date with respect to enhancing the value of the Company, 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 2012 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 a thorough and comprehensive strategic review of opportunities to maximize stockholder value. We will argue forcefully that a genuine process is carried out by the Board and that prudent decisions are made – no fire sales or reactionary decisions will 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 realized costs savings into new growth initiatives.

Reduce executive compensation and bonus packages.

Seek to attract new management talent.

Improve corporate governance practices.

Notwithstanding the Company's September 27, 2011 press release indicating that it is undertaking various cost savings initiatives during fiscal 2012 and 2013, Peerless believes that these actions are too little too late and fears that the Company, as it has stated, will continue to destroy stockholder value by using all of the potential cost savings for further reinvestment.

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 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, 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 eight 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

On three separate occasions in early September 2011, Mr. Timothy Brog called Mr. Joseph Lawler, a director and Chief Executive Officer of the Company to discuss his views on ModusLink's operations, corporate governance and how to enhance shareholder value. According to Mr. Lawler's assistant he was not available each time and Mr. Brog left a message each time requesting that Mr. Lawler please call him. Mr. Lawler never returned any of the telephone calls.

On September 8, 2011, Peerless submitted a letter ("the Nomination Letter") to the Company's corporate secretary, in full compliance with the Company's Restated Amended and Restated By-Laws on March 2, 2011, notifying of its intent to nominate Timothy E. Brog and Jeffrey S. Wald, at the Company's 2011 Annual Meeting of Shareholders (the "Meeting") to stand for election to the ModusLink 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.

On September 9, 2011, Mr. Brog received a telephone call from Robert Joyce, the Company's director of investor relations, to confirm receipt of Peerless' Nomination Letter.

On September 13, 2011, Mr. Brog left a telephone message for Joseph C. Lawler.

On September 15, 2011, Mr. Brog received a telephone call from Mr. Joyce. Mr. Joyce offered to schedule a telephone call between Mr. Brog and Steven G. Crane, Chief Financial Officer of the Company, and Mr. Joyce. Mr. Brog declined the offer and requested again to have a telephone call or a meeting with Mr. Lawler. Mr. Joyce stated that Mr. Lawler would not be available to speak with Mr. Brog until September 28, 2011, approximately two weeks later.

On September 20, 2011, Peerless received a letter from Latham & Watkins LLP ("Latham & Watkins"), a large national law firm and the Company's legal counsel, in response to its notice of intent to nominate directors requesting that Peerless confirm whether it and Raging Capital or LCV Capital Management were party to any agreements, arrangements or understandings, whether written or oral.

On September 26, 2011, Peerless sent a letter to the Company's Board of Directors and Latham and Watkins in response to the Company's letter of September 20, 2011 confirming that Peerless was not acting as part of or on behalf of a "group", as such term is defined in Section 13(d) of the Securities and Exchange Act of 1934. However, Peerless reserved the right in the future to form a group. Furthermore, Peerless had no agreements, arrangements or understandings, whether written or oral, with certain other Company stockholders, but Peerless reserved the right in the future to enter into an agreement, arrangement or understanding, whether written or oral, with other Company stockholders. Peerless also stated that it believed that its addressed all of the Company's concerns completely and in good faith and is ready, willing and able to address any legitimate concerns or questions which the Company may have relating to its Nomination Letter.

On September 28, 2011, Mr. Brog spoke with Mr. Joyce by telephone to schedule a meeting with Mr. Lawler and other members of the Company's management team. Mr. Joyce informed Mr. Brog that if he travelled to Waltham, Massachusetts, Mr. Lawler could "slot him in for an hour."

On September 29, 2011, Peerless issued a press release announcing its intention to nominate directors at the 2011 Meeting.

On October 3, 2011, Peerless sent the Company a letter requesting stockholder information pursuant to Section 220 of the Delaware General Corporation Law.



On October 6, 2011, Mr. Brog and Andrew Kule, a Peerless employee, travelled to Waltham, Massachusetts and met with Joseph Lawler, Stephen Crane, Chief Financial Officer of the Company, Mr. Joyce and Peter Gray, General Counsel of the Company for approximately 40 minutes. Mr. Brog discussed with ModusLink, among other things, his belief that the financial performance of the Company has been disastrous, the Company wasted \$85 million of shareholder's capital on three recent acquisitions, that had subsequently seen significant asset write-downs, and that the Company spent more money on the implementation of its ERP system than the enterprise value of the entire Company.

On October 10, 2011 Peerless received a letter from the Company's legal counsel in response to its request for stockholder information pursuant to Section 220 of the Delaware General Corporation Law.

On October 11, 2011, Mr. Brog was informed by Mr. Gray via email that the Company's Nominating and Corporate Governance Committee would like to interview the Peerless Nominees. Mr. Brog sent an email to Mr. Gray respectfully declining the request for an interview of the Nominees since Mr. Brog believed it was disingenuous and that the Nominating Committee has no intention of nominating the Peerless Nominees. Rather, Mr. Brog informed the Company that this request is merely a tactic intended to elevate the Company to a purported higher moral ground by demonstrating that it had rejected the Peerless Nominees after due consideration under its nominating procedures. Mr. Brog reminded the Company that it is ironic, that the same Board members, who have overseen a chronic decline, in excess of 94%, in the enterprise value of the Company and a 74% decline in its stock price, during their tenure from July 31, 2006 through September 28th 2011, are proposing to judge the Nominees on their qualifications. Mr. Brog stated that the Peerless Nominees would welcome the opportunity to meet with ALL the independent directors of the Company so it can share its thoughts on the operations of the Company's business as well as other non-operating issues.

On October 17, 2011, Mr. Brog called Mr. Gray to discuss terms on which the parties could resolve the proxy contest.

Between October 24, 2011 and November 4, 2011, Peerless and the Company engaged in multiple conversations regarding their respective views on what terms under which Peerless might reach a favorable settlement that would benefit ALL of the Company's shareholders.

On November 5, 2011, Mr. Brog and Mr. Wald met with Company's directors Michael Mardy, Joseph O'Donnell and Edward Lucente in Newark, NJ to discuss Mr. Brog and Mr. Wald's views regarding the Company. Mr. Brog stated that the Company's management has not been held accountable for poor allocation of stockholder money through ill-conceived acquisitions and capital expenditures that have not earned a return on investment, coupled with their inability to turnaround the business as indicated by declining operating trends in fiscal years 2006 through 2011.

On November 14, 2011, Mr. Brog and Mr. Kule agreed to the Company's request to meet with Mr. Gray and Latham & Watkins at its New York office in good faith with our desire of reaching a settlement to the proxy contest. To our dismay and shock, instead of using this meeting productively to reach a settlement, Latham & Watkins simply tried to intimidate Peerless and Mr. Brog by stating that if we did not terminate our efforts to elect the Nominees, they would commence litigation against Peerless and Mr. Brog. At that point Mr. Brog and Mr. Kule were handed a fully completed Summons and Complaint in draft form.

## PROPOSAL 1

### ELECTION OF DIRECTORS

Peerless is seeking your support at the Annual Meeting to elect Timothy Brog and Jeffrey Wald, our Nominees, in opposition to the two ModusLink director nominees for the election of two Class III directors to serve until the 2014 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified. The Board is currently composed of eight directors, of which two are up for re-election at the Company's 2011 Annual Meeting. We are seeking your support at the Annual Meeting to elect Timothy Brog and Jeffrey Wald, the Peerless Nominees, in opposition to the two ModusLink director nominees.

#### Peerless Nominees

Peerless has nominated Timothy Brog and Jeffrey Wald, 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 Jeffrey Wald, Peerless' Nominees, do not have any material relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. They therefore are 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 are 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 Jeffrey Wald 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 47, 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.

Jeffrey S. Wald, age 37, has been a director of Peerless since June 2010. Since May 2010, Mr. Wald has been the Chief Operating Officer and Chief Financial Officer of Work Market, Inc., a labor resource platform that enables an on demand work force that he co-founded. Mr. Wald was a consultant to Peerless from December 2008 until October 2010, advising the Company on a day-to-day basis regarding sourcing and executing potential acquisitions. From May 2008 to December 2008, Mr. Wald was a Managing Director at Barington Capital Group, L.P. an activist hedge fund manager, where he initiated investments and managed Barington's portfolio of investments. From March 2007 through May 2008, Mr. Wald was the Chief Operating Officer and Chief Financial Officer of Spinback, Inc., an internet commerce company he co-founded. From January 2003 to March 2007, Mr. Wald was a Vice President at The GlenRock Group, a private equity firm which invests in undervalued, middle market companies as well as emerging and early stage companies. Earlier in his career, Mr. Wald held positions in the mergers and acquisitions department at J.P. Morgan Chase & Co. Mr. Wald received an MBA from Harvard University and an M.S and B.S. from Cornell University. Mr. Wald is a director of Sielox, Inc., which develops, designs and distributes security solution products. Mr. Wald has substantial experience in the area of venture capital, technology, principal investing and operations.

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 JEFFREY WALD, THE PEERLESS NOMINEES, ON THE ENCLOSED GOLD PROXY CARD.**

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

Peerless believes that it is appropriate to seek the views of stockholders on the design and effectiveness of the Company's executive compensation program. Beginning this year, the Company is required to provide its stockholders with the opportunity to approve on an advisory basis the compensation of the named executive officers as such information is disclosed in the Company's Proxy Statement.

The Company states that they align the compensation of its executive officers with both short and long term business goals, with a significant portion of compensation "at risk" and directly linked to the overall performance of the Company. Furthermore, they state that the Company's executive compensation policy aligns the interests of the executive officers with the interests of the Company's stockholders. Peerless believes that the compensation paid to its executive officers is extremely exorbitant especially in light of the Company's rapidly declining business performance, shrinking enterprise value and plummeting stock price. It is Peerless' belief that based upon the total compensation paid to the Company's five named executive officers of \$6.7 million in fiscal 2010 and \$4.0 million in fiscal 2011, either (a) the compensation paid to the Company's executive officers is not aligned with the overall performance of the Company, or (b) the Company's Board believes that the executive officers are performing well. During this same period, the Company's enterprise value went from \$178 million to \$120 million from the beginning to the end of fiscal 2010 and then down to \$21.8 million as of the Announcement Date.

Peerless **STRONGLY** recommends that the stockholders vote **AGAINST** the following resolution: