UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 15, 2017

Steel Connect, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-35319	04-2921333
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1601 Trapelo Road, Suite 170 Waltham, Massachusetts	02451
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (781) 663-5000

ModusLink Global Solutions, Inc.
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

This Amendment No. 1 to the Current Report on Form 8-K/A (this “Amendment”) amends the Current Report on Form 8-K of Steel Connect, Inc. (formerly known as ModusLink Global Solutions, Inc.) (the “Company”) filed with the Securities and Exchange Commission on December 19, 2017 (the “Initial Form 8-K”). As previously reported, on December 15, 2017 (the “Effective Date”), the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, MLGS Merger Company, Inc., a Delaware corporation and newly formed wholly-owned subsidiary of the Company (“MLGS”), IWCO Direct Holdings Inc., a Delaware corporation (“IWCO”), CSC Shareholder Services, LLC, a Delaware limited liability company (solely in its capacity as representative), and the stockholders of IWCO listed on the signature pages thereto.

The Initial Form 8-K reported that on the Effective Date and pursuant to the Merger Agreement, MLGS was merged with and into IWCO, with IWCO surviving as a wholly-owned subsidiary of the Company (the “IWCO Acquisition”). The Initial Form 8-K also reported that the aggregate consideration paid to acquire IWCO by the Company in the IWCO Acquisition was $475,600,000 in cash, subject to certain adjustments (the “Purchase Price”), of which $2,500,000 is held in escrow pursuant to a separate escrow agreement. The Purchase Price was funded with a combination of cash on hand and financing, as more fully described in the Initial Form 8-K.

The sole purpose of this Amendment is to amend the Initial Form 8-K to include the historical audited and unaudited financial statements of IWCO and the unaudited pro forma condensed combined financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial Form 8-K in reliance on the instructions to such items. All other items in the Initial Form 8-K remain the same.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

(1) Audited financial Statements of IWCO Direct Holdings, Inc. and Subsidiaries for the years ended December 31, 2016, 2015 and 2014 are filed as Exhibit 99.1 to this Current Report on Form 8-K/A.

(2) Unaudited financial statements of IWCO Direct Holdings, Inc. and Subsidiaries as of September 30, 2017 and the statements of operations for the nine months ended September 30, 2017 and 2016 are filed as Exhibit 99.2 to this Current Report on Form 8-K/A.

(b) Unaudited Pro Forma Financial Information

(1) Unaudited pro forma condensed combined Balance Sheet of the Company and of IWCO Direct Holdings, Inc. and Subsidiaries as of October 31, 2017 and unaudited condensed statements of operations for the three months ended October 31, 2017 and the twelve months ended July 31, 2017 are filed as Exhibit 99.3 to this Current Report on Form 8-K/A .

(c) Exhibits

Exhibit No.	Exhibits
2.1	Agreement and Plan of Merger, dated December 15, 2017, by and among ModusLink Global Solutions, Inc., MLGS Merger Company, Inc., IWCO Direct Holdings Inc., CSC Shareholder Services, LLC (solely in its capacity as representative), and the stockholders of IWCO Direct Holdings Inc. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on December 19, 2017).*
4.1	Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock of ModusLink Global Solutions, Inc. filed with the Secretary of State of the State of Delaware on December 15, 2017 (incorporated by reference to Exhibit 4.1 of Form 8-K filed on December 19, 2017).
10.1	Preferred Stock Purchase Agreement dated as of December 15, 2017, by and between ModusLink Global Solutions, Inc. and SPH Group Holdings LLC (incorporated by reference to Exhibit 10.1 of Form 8-K filed on December 19, 2017).
10.2	Financing Agreement dated as of December 15, 2017, by and among IWCO Direct Holdings Inc., MLGS Merger Company, Inc., Instant Web, LLC, certain subsidiaries of IWCO Direct Holdings Inc. identified on the signature pages thereto, the lenders from time to time party hereto, and Cerberus Business Finance, LLC, as collateral agent and administrative agent for the lenders (incorporated by reference to Exhibit 10.2 of Form 8-K filed on December 19, 2017).
23.1	Consent of CliftonLarsonAllen LLP.
23.2	Consent of Wipfli LLP.
99.1	Audited financial Statements of IWCO Direct Holdings, Inc. and Subsidiaries for the years ended December 31, 2016 , 2015 and 2014.
99.2	Unaudited financial statements of IWCO Direct Holdings, Inc. and Subsidiaries as of September 30, 2017 and the statements of operations for the nine months ended September 30, 2017 and 2016.
99.3	Unaudited pro forma condensed combined Balance Sheet of Steel Connect, Inc. and of IWCO Direct Holdings, Inc. and Subsidiaries as of October 31, 2017 and unaudited condensed statements of operations for the three months ended October 31, 2017 and the twelve months ended July 31, 2017.

* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementary copies of any of the omitted schedules or exhibits upon request by the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

February 28, 2018	Steel Connect, Inc.
	By: /s/ Louis J. Belardi
	Name: Louis J. Belardi
	Title: Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statement No. 333-93189, No. 333-52636, No 333-75598, No. 333-84648, No. 333-90608, No. 333-121235, No. 333-131670, No. 333-164437 and No. 333-171285 on Form S-8 and in Registration Statement No. 333.197264 on Form S-3 of Steel Connect, Inc. (fka ModusLink Global Solutions, Inc.) of our report dated February 28, 2018, relating to our audits of the consolidated financial statements of IWCO Direct Holdings, Inc. and Subsidiaries as of December 31, 2014 and 2015 and for the years then ended included in this Current Report on Form 8-K/A.

/s/ CliftonLarsonAllen LLP

Minneapolis, MN
February 27, 2018

Exhibit 23.2

Consent of Independent Auditors

We consent to the incorporation by reference in Registration Statement No. 333-93189, No. 333-52636, No. 333-75598, No. 333-84648, No. 333-90608, No. 333-121235, No. 333-131670, No. 333-164437 and No. 333-171285 on Form S-8 and in Registration Statement No. 333-197264 on Form S-3 of Steel Connect, Inc. (fka ModusLink Global Solutions, Inc.) of our report dated February 27, 2018, relating to our audit of the consolidated financial statements of IWCO Direct Holdings, Inc. and Subsidiaries as of December 31, 2016 and for the year then ended included in this Current Report on Form 8-K/A.

/s/ Wipfli LLP

Minneapolis, MN
February 27, 2018

Exhibit 99.1

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014, 2015 AND 2016

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
IWCO Direct Holdings Inc. and Subsidiaries
Chanhassen, Minnesota

We have audited the accompanying consolidated financial statements of IWCO Direct Holdings Inc. and Subsidiaries, which comprises the balance sheets as of December 31, 2014 and 2015, and the related consolidated statements of operations, stockholders' equity (deficit) changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

A member of Nexia International

Board of Directors and Stockholders
IWCO Direct Holdings Inc. and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IWCO Direct Holdings Inc. and Subsidiaries as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 27, 2018

WIPFLi LLP

Independent Auditor's Report

Board of Directors and Stockholders
IWCO Direct Holdings, Inc. and Subsidiaries
Chanhassen, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of IWCO Direct Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statement of operations, stockholders' deficit, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IWCO Direct Holdings, Inc. and Subsidiaries as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As described in Note 1 to the consolidated financial statements, the Company adopted a recently issued accounting standard related to the accounting for deferred financing costs by adopting the *Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to this matter.

/s/ Wipfli LLP

Wipfli LLP

Minneapolis, Minnesota
February 27, 2018

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
ASSETS			
CURRENT ASSETS			
Cash	$ 18,227,492	$ 32,961,086	$ 18,200,363
Accounts Receivable—Trade, Net	55,931,019	44,604,180	44,702,450
Income Tax Receivable	358,295	1,122,130	—
Inventories	17,609,934	18,344,418	23,018,506
Prepaid Expenses	5,980,120	6,102,088	5,034,682
Deferred Income Taxes	2,648,000	2,404,000	2,768,000
Total Current Assets	100,754,860	105,537,902	93,724,001
PROPERTY AND EQUIPMENT			
Land and Improvements	938,271	938,271	938,271
Leasehold Improvements	14,601,771	15,404,627	15,796,586
Machinery and Equipment	131,414,407	138,197,312	144,670,537
Office Furniture and Equipment	18,138,220	19,168,481	18,721,928
Total	165,092,669	173,708,691	180,127,322
Less: Accumulated Depreciation	108,747,951	119,014,202	129,350,871
Total Property and Equipment, Net	56,344,718	54,694,489	50,776,451
OTHER ASSETS			
Goodwill	174,584,000	174,584,000	174,584,000
Intangibles, Net	55,733,333	50,160,000	44,586,667
Deposits	418,167	422,028	376,473
Total Other Assets	230,735,500	225,166,028	219,547,140
Total Assets	$387,835,078	$385,398,419	$364,047,592

See accompanying Notes to Consolidated Financial Statements.

	2014	2015	2016
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Current Portion of Long-Term Debt and Capital Leases	$ 6,942,059	$ 9,910,919	$ 7,511,487
Accounts Payable—Trade	27,850,392	29,332,624	30,955,113
Income Tax Payable	—	—	58,888
Customer Deposits	10,932,020	8,354,580	11,220,710
Accrued Expenses	27,841,186	29,719,029	28,911,620
Current Portion of Royalty Obligation	1,498,836	—	—
Total Current Liabilities	75,064,493	77,317,152	78,657,818
LONG-TERM LIABILITIES			
Long-Term Debt and Capital Leases, Net	273,136,474	327,859,678	365,076,954
Deferred Rent	2,947,960	3,227,737	3,447,900
Post-Retirement Benefit Obligation	28,029	15,143	15,143
Deferred Income Taxes	4,443,000	10,935,000	10,592,000
Total Long-Term Liabilities	280,555,463	342,037,558	379,131,997
Total Liabilities	355,619,956	419,354,710	457,789,815
STOCKHOLDERS' EQUITY (DEFICIT)			
Common Stock	6,250	6,250	6,250
Preferred Stock, Series A, Series B-1, and Series B-2	152,516	152,516	152,516
Additional Paid-In Capital	322,627,019	322,627,019	322,627,019
Accumulated Deficit	(290,570,663)	(356,742,076)	(416,528,008)
Total Stockholders' Equity (Deficit)	32,215,122	(33,956,291)	(93,742,223)
Total Liabilities and Stockholders' Equity (Deficit)	$ 387,835,078	$ 385,398,419	$ 364,047,592

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
SALES	$418,463,878	$464,397,495	$464,394,291
COST OF SALES	316,480,371	343,747,926	349,042,291
GROSS PROFIT	101,983,507	120,649,569	115,352,000
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	67,883,111	66,299,125	72,863,627
INCOME BEFORE OTHER (INCOME) EXPENSE	34,100,396	54,350,444	42,488,373
OTHER (INCOME) EXPENSE			
Interest Expense, Net	28,214,808	31,049,526	35,069,092
Loss on Sale of Equipment	340,522	407,750	584,471
Total Other Income	28,555,330	31,457,276	35,653,563
NET INCOME BEFORE INCOME TAXES	5,545,066	22,893,168	6,834,810
PROVISION FOR INCOME TAXES	1,959,000	7,904,000	2,648,000
NET INCOME	$ 3,586,066	$ 14,989,168	$ 4,186,810

See accompanying Notes to Consolidated Financial Statements.

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	Common Stock		Preferred Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
BALANCE—DECEMBER 31, 2013	625,000	$6,250	768,072	$ 7,681	$177,936,624	$(281,656,729)	$(103,706,174)
Capital Contribution	—	—	14,483,523	144,835	144,690,395	—	144,835,230
Dividends	—	—	—	—	—	(12,500,000)	(12,500,000)
Net Income	—	—	—	—	—	3,586,066	3,586,066
BALANCE—DECEMBER 31, 2014	625,000	6,250	15,251,595	152,516	322,627,019	(290,570,663)	32,215,122
Dividends	—	—	—	—	—	(81,160,581)	(81,160,581)
Net Income	—	—	—	—	—	14,989,168	14,989,168
BALANCE—DECEMBER 31, 2015	625,000	6,250	15,251,595	152,516	322,627,019	(356,742,076)	(33,956,291)
Dividends	—	—	—	—	—	(63,972,742)	(63,972,742)
Net Income	—	—	—	—	—	4,186,810	4,186,810
BALANCE—DECEMBER 31, 2016	625,000	$6,250	15,251,595	$152,516	$322,627,019	$(416,528,008)	$ (93,742,223)

See accompanying Notes to Consolidated Financial Statements.

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$ 3,586,066	$ 14,989,168	$ 4,186,810
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	23,425,149	19,674,060	20,139,063
Amortization of Deferred Financing Costs	2,443,439	1,377,415	1,377,415
Interest Accrued on Debt	7,445,381	—	—
Loss on Sale of Equipment	340,522	407,750	584,471
Deferred Income Taxes	1,795,000	6,736,000	(707,000)
Deferred Rent	586,200	279,777	220,163
Future Royalty Obligations	(997,658)	(1,498,836)	—
(Increase) Decrease in Current Assets:			
Accounts Receivable—Trade, Net	(10,297,302)	11,326,839	(98,270)
Income Tax Receivable (Payable)	(209,105)	(763,835)	1,181,018
Inventories	(2,423,778)	(734,484)	(4,674,088)
Prepaid Expenses and Deposits	(384,067)	(125,829)	1,112,961
Increase (Decrease) in Current Liabilities:			
Accounts Payable—Trade	8,862,906	1,482,232	(1,027,622)
Customer Deposits	(1,721,655)	(2,577,440)	2,866,130
Accrued Expenses	122,095	1,864,957	(807,409)
Net Cash Provided by Operating Activities	32,573,193	52,437,774	24,353,642
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Property and Equipment	(15,170,131)	(13,005,620)	(8,734,052)
Proceeds from Sale of Equipment	766,850	147,373	152,000
Net Cash Used by Investing Activities	(14,403,281)	(12,858,247)	(8,582,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Long-Term Debt	—	58,700,000	41,000,000
Principal Payments on Long-Term Debt	(6,713,978)	(2,459,739)	(2,553,410)
Payment of Deferred Financing Costs	(6,682,909)	—	—
Net Proceeds (Payments) on Capital Leases	2,316,772	74,387	(5,006,161)
Dividends	(12,500,000)	(81,160,581)	(63,972,742)
Net Cash Used by Financing Activities	(23,580,115)	(24,845,933)	(30,532,313)
NET INCREASE (DECREASE) IN CASH	(5,410,203)	14,733,594	(14,760,723)
Cash—Beginning of Year	23,637,695	18,227,492	32,961,086
CASH—END OF YEAR	$ 18,227,492	$ 32,961,086	$ 18,200,363
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Interest Paid	$ 23,058,939	$ 29,620,780	$ 33,676,039
Income Taxes Paid	$ 441,331	$ 1,968,609	$ 2,173,982
Noncash Activity:			
Purchase of Property and Equipment through Accounts Payable	$ —	$ —	$ 2,650,111
Additional Paid-In Capital Acquired through Debt Conversion	$144,835,230	$ —	$ —

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

IWCO Direct Holdings Inc. and Subsidiaries (the Company) is a fully integrated direct marketing service provider serving customers throughout the United States from locations in Minnesota and Pennsylvania.

Principles of Consolidation

The consolidated financial statements include the accounts and operating results of IWCO Direct Holdings, Inc., Instant Web, LLC and its wholly owned subsidiaries, United Mailing, Inc., Victory Envelope, Inc., IWCO Direct New York, Inc., IWCO Direct North Carolina, Inc., and IWCO Direct Twin, LLC.

All significant intercompany transactions and balances have been eliminated.

Accounts Receivable

The Company uses the allowance method to account for uncollectible accounts receivable. The allowance is sufficient to cover both current and anticipated future losses. Uncollectible amounts are charged against the allowance account. Management has estimated that an allowance of approximately $218,000, $226,000 and $206,000 is sufficient based upon prior experience with customers and analysis of individual trade accounts at December 31, 2014, 2015 and 2016, respectively.

The Company offers most customers net 30-day terms. In special situations, the Company may offer extended terms or discounts to selected customers.

Inventories

Raw material inventories are stated at the lower of cost (first-in, first-out) or market. Work in process is valued at standard rates, which approximate cost, for labor and overhead and at cost for materials and outside purchases.

The components of inventories at December 31, 2014, 2015, and 2016 are as follows:

	2014	2015	2016
Raw Materials	$ 6,258,512	$ 7,087,866	$ 8,217,887
Work in Process	11,570,022	11,462,552	14,996,619
Less: Inventory Obsolescence Reserve	(218,600)	(206,000)	(196,000)
Total	$17,609,934	$18,344,418	$23,018,506

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are being depreciated over their estimated useful lives using the straight-line method of depreciation. Land and Improvements are not depreciated. Estimated useful lives of property and equipment are as follows:

Leasehold Improvements	15 Years
Machinery and Equipment	3 - 10 Years
Office Furniture and Equipment	3 - 7 Years

Leasehold improvements are depreciated over the shorter of the useful life as listed above or the term of the lease.

Depreciation expense for the years ended December 31, 2014, 2015 and 2016 was $17,851,815, $14,100,727, and $14,565,730, respectively.

The Company has evaluated its machinery and equipment for impairment. Management has determined that no impairment has occurred for the years ended December 31, 2014, 2015, and 2016.

Deferred Financing Costs, Net

The Company has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires an organization to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the term of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs assets to zero and decreased the debt liabilities at December 31, 2014, 2015, and 2016, by $5,649,849, $4,272,434, and $2,895,019, respectively. The adoption of the standard had no effect on previously reported net income or stockholders' deficit. The ASU is retrospectively applied.

Noncash deferred financing interest expense was approximately $2,443,440, $1,377,415, and $1,377,415 for the years ended December 31, 2014, 2015, and 2016, respectively.

Goodwill

Goodwill is recognized as a result of a business combination when the price paid for the acquired business exceeds the fair value of its identified net assets. Identifiable intangible assets are recognized at their fair value when acquired. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.

The Company has evaluated its goodwill acquired through business acquisitions for impairment. Management has determined that no impairment has occurred for the years ended December 31, 2014, 2015, or 2016.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer List

The Company has allocated the following values to a customer list based on the future earning potential of the customer base at December 31, 2014, 2015, and 2016:

	2014	2015	2016
Customer List	$66,880,000	$66,880,000	$66,880,000
Accumulated Amortization	11,146,667	16,720,000	22,293,333
Net Customer List	$55,733,333	$50,160,000	$44,586,667
Amortization Period	12 Years	12 Years	12 Years
Amortization Expense	$ 5,573,333	$ 5,573,333	$ 5,573,333

The Company has evaluated its customer list acquired through a business acquisition for impairment. Management has determined that no impairment has occurred for the years ended December 31, 2014, 2015, and 2016.

Revenue Recognition

The Company recognizes revenue for the majority of its products upon the transfer of title and risk of ownership, which is generally upon delivery of the product to the US Post Office, pursuant to the terms of the agreement with the customer. Under agreements with certain customers, custom products may be stored by the Company for future delivery. In these cases, delivery and billing schedules are outlined in the customer agreement and product revenue is recognized when manufacturing is complete, title and risk of ownership transfer to the customer, the amount due from the customer is fixed, and collectibility of the related receivable is reasonably assured. Revenue from services is recognized as services are performed.

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross as a principal or net of related costs as an agent. In general, these revenues are recognized on a gross basis if the Company has control over selecting vendors and pricing, is the primary obligor in the arrangement and bears credit risk and the risk of loss for inventory in its possession. Revenue from contracts that do not meet these criteria is recognized on a net basis.

Many of the Company’s operations process materials, primarily paper, that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper, but revenues for Company-supplied paper are recognized on a gross basis.

The Company records deferred revenue in situations where amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Shipping and Handling Costs

The Company includes freight and other shipping costs in cost of sales. Billings for third-party shipping and handling costs are included in sales. Postage paid by customers is excluded from revenue and cost of sales.

Concentrations of Credit Risk

Substantially all cash is deposited in one financial institution. At times, amounts on deposit are in excess of the Federal Deposit Insurance Corporation insurance limits.

The Company extends credit to customers based on an evaluation of the customer's financial condition, generally without requiring collateral. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising the Company's customer base.

At December 31, 2014, 2015, and 2016, the Company had open accounts receivables from one customer that was approximately 11.1%, 13.0% and 11.0% of total accounts receivable, respectively.

For the years ended December 31, 2014 and 2015, the Company had sales concentrations from one customer that was approximately 11.7% and 10.6% of sales, respectively. For the year ended December 31, 2016, the Company did not have any sales concentrations greater than 10% of sales.

Income Taxes

The Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 27, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 ENTITY STRUCTURE

During 2014, IWCO Direct Holdings, Inc. formed a limited liability company, Instant Web, LLC. IWCO Direct, Inc. and Instant Web, Inc. were then merged into Instant Web, LLC. Simultaneous to this transaction, the Company exchanged preferred stock of IWCO Direct Holdings, Inc., the parent company, in exchange for the 2nd lien and mezzanine debt held by Instant Web, Inc. and IWCO Direct Holdings, Inc., respectively.

NOTE 3 LINE OF CREDIT

In March of 2014, the Company contracted with Wells Fargo to provide a revolving line of credit. The revolving line of credit has a maximum borrowing amount of $30,000,000 limited to 85% of accounts receivable less any outstanding letters of credit. The Company had outstanding letters of credit of $3,450,000 at December 31, 2015 and 2016. Interest accrues on the outstanding balance at the three-month LIBOR rate plus 2.25%. The revolving line of credit matures in September 2018. There were no outstanding balances under this line of credit at December 31, 2014, 2015, and 2016.

NOTE 4 LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases consist of the following as of December 31:

Description	2014	2015	2016
Term Loan A with Prospect Capital Corporation requiring quarterly payments of $637,725 plus interest, which accrues at the greater of 3-month LIBOR rate plus 4.5% or 5.5% (5.5% at December 31, 2016), maturing March 2019 including balloon payment. The note is secured by all assets and common stock of the Company.	$130,836,022	$150,476,283	$155,925,383
Term Loan B with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 11% or 12% (12% at December 31, 2016). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	132,500,000	154,600,000	162,600,000
Term Loan C-1 with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 11.75% or 12.75% (12.75% at December 31, 2016). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	12,500,000	27,000,000	27,000,000

NOTE 4 LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Description	2014	2015	2016
Term Loan C-2 with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 12.50% or 13.55% (13.55% at December 31, 2016). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	$ —	$ —	$ 25,000,000
Capital Leases requiring monthly or quarterly payments ranging from $3,494 to $1,032,595, which accrue at rates up to 8.6% and mature at various dates through September of 2017. These leases are secured by the leased equipment.	9,892,360	9,966,748	4,958,077
Total	285,728,382	342,043,031	375,483,460
Less: Current Maturities	6,942,059	9,910,919	7,511,487
Less: Deferred Finance Costs, Net of Accumulated Amortization of $1,033,061, $2,410,476 and $3,787,891 in 2014, 2015, and 2016, respectively.	5,649,849	4,272,434	2,895,019
Total Long-Term Debt and Capital Leases	$273,136,474	$327,859,678	$365,076,954

The agreements, including the line of credit (Note 3), contain certain covenants, including financial covenants, requiring the Company to achieve a minimum quarterly leverage ratio and fixed charge coverage ratio. The Company was in compliance with all covenants as of December 31, 2014, 2015, and 2016.

Future annual maturities on notes payable and capital leases are as follows:

Year Ending December 31,	Amount
2017	$ 7,511,487
2018	2,550,900
2019	365,421,073
Total	$375,483,460

NOTE 5 STOCKHOLDERS' DEFICIT

The following summarizes the number of authorized, issued, and outstanding stock at December 31, 2014, 2015, and 2016:

Class of Stock	Authorized	2014 Issued and Outstanding	2015 Issued and Outstanding	2016 Issued and Outstanding
Series A Preferred Stock	1,190,000	768,072	768,072	768,072
Series B-1 Preferred Stock	12,000,000	11,582,030	11,582,030	11,582,030
Series B-2 Preferred Stock	3,500,000	2,901,493	2,901,493	2,901,493
Common Stock	880,000	625,000	625,000	625,000
All classes of stock have a par value of $0.01				

The Series B-1 Preferred Stock shall rank senior with respect to dividend rights and rights upon liquidation, dissolution or winding up, to all other equity securities of the Company, including any other series or class of Common Stock. Series B-2 Preferred Stock ranks next and Series A Preferred Stock shall have priority after both series B-1 and B-2 Preferred Stocks.

Dividends on each outstanding share of preferred stock are cumulative and begin to accrue and accumulate, regardless of declaration, from the issue date of each share of the Series A Preferred Stock at an annual rate equal to 15% of the liquidation preference. Series A Preferred Stock have cumulative unpaid liquidation preference of approximately $124,400,000 at December 31, 2016. The Series B-1 and B-2 Preferred Stock accumulate at an annual rate equal to 12.75% of the liquidation preference. Series B-1 and B-2 Preferred Stock have cumulative unpaid liquidation preference of approximately $-0- and $16,800,000 at December 31, 2016, respectively. Dividends accrue and accumulate on a daily basis, and compound on an annual basis, whether or not declared.

NOTE 6 BENEFIT PLANS

Medical Insurance

The Company maintains a medical self-funded insurance plan for its employees. The Company pays the first $350,000 of medical claims per employee per plan year, with an annual aggregate liability of $15,397,100 at December 31, 2014 and 2015 and $17,110,600 at December 31, 2016, per plan year. Amounts in excess of the limits are covered by the Company's insurance. At December 31, 2014, 2015, and 2016, the reserve for health insurance claims was $1,607,000.

Workers' Compensation

Effective February 1, 2014, the Company participates in a self-insured workers' compensation program. The Company is responsible for employee claims up to $250,000 per incurrence with an annual aggregate liability of approximately $3,300,000. Amounts in excess of the limits are covered by the Company's insurance. The amount of reserve for these claims at December 31, 2014, 2015, and 2016 was approximately $699,000, $830,000, and $857,500, respectively.

NOTE 6 BENEFIT PLANS (CONTINUED)

Prior to February 1, 2014, the Company participated in a pre-funded self-insured workers' compensation program. The Company was responsible for employee claims of up to $250,000 per incurrence with an annual aggregate liability of approximately $4,900,000 per plan year. Amounts in excess of the limits are covered by the Company's insurance. Under this plan, the insurance provider estimates the claims and estimated losses. The Company pays the estimate in equal installments. At December 31, 2014, 2015, and 2016, the Company estimated that payments in excess of workers' compensation claims to be approximately $2,941,000, $2,231,000, and $1,880,000, respectively.

As part of the Transcontinental Direct U.S.A. acquisition in 2010, the Company assumed open workers' compensation claims. The Company is responsible for employee claims of up to $250,000 per incurrence. Amounts in excess of the limits are covered by the Company's insurance. The amount of the reserve for these claims at December 31, 2014, 2015 and 2016 was approximately $282,000, $205,000 and $198,000, respectively.

Retirement Plan

Substantially all of the employees are eligible to participate in a 401(k) savings plan (the Plan). The Plan is a qualified defined contribution plan that provides for contributions based primarily upon compensation levels and employee contributions. The Company's contribution to the Plan is discretionary and was approximately $1,513,000, $1,694,000 and $1,843,000 for the years ended December 31, 2014, 2015, and 2016, respectively.

NOTE 7 STOCK OPTIONS

Under the Company's Equity Incentive Plan, the Company may grant options to employees for up to 112,952 shares of its parent's common stock. The exercise price of each option equals the market price of the parent company's stock on the date of grant and an option's maximum vesting term is five years from date of grant. These shares vest ratably based on service periods as well as Company performance measurements and return to investors. The payment of the option price may be made at the election of the participant either (a) in cash, (b) in shares having a fair market value equal to the aggregate option price for the shares, or (c) by reducing the number of shares deliverable upon the exercise of the option by the number of shares having a fair market value equal to the option price. Should a change of control or public offering event occur prior to five years, all shares are immediately 100% vested.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Company accounts for stock-based compensation arrangements in accordance with professional standards which require compensation cost to be determined based on the difference, if any, on the grant date between the fair value of the parent company's stock and the amount an employee must pay to acquire the stock. Compensation expense is recognized over the vesting period. No compensation expense was recognized in 2014, 2015, or 2016.

NOTE 7 STOCK OPTIONS (CONTINUED)

A summary of the status of the Company's stock option plan is presented below:

	2014		2015		2016	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding—Beginning of Year	101,448	$ 32.56	101,448	$ 32.56	101,448	$ 32.56
Granted	—	$ 32.56	—	$ 32.56	—	$ 32.56
Forfeited or Expired	—	$ 32.56	—	$ 32.56	—	$ 32.56
Outstanding at End of Year	101,448		101,448		101,448	
Options Exercisable at Year-End	86,808		99,444		101,488	

Information pertaining to options outstanding at December 31, 2016 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$32.56	101,448	3.48	$ 32.56	101,448	$ 32.56
Outstanding at End of Year	101,448	3.48	$ 32.56	101,448	$ 32.56

NOTE 8 INCOME TAXES

For the years ended December 31, 2014, 2015, and 2016, the Company filed a consolidated income tax return. The provision (benefit) for income taxes consists of the following as of December 31, 2014, 2015, and 2016:

	2014	2015	2016
Current			
Federal Income Tax	$ 114,000	$1,089,000	$3,246,000
State Income Tax	50,000	79,000	109,000
Total Current	164,000	1,168,000	3,355,000
Deferred Federal and State Tax	1,795,000	6,736,000	(707,000)
Total Income Tax Expense	$1,959,000	$7,904,000	$2,648,000

NOTE 8 INCOME TAXES (CONTINUED)

The reconciliation of the effective combined federal and state income tax rates to the federal statutory income tax rate of 34% are as follows for the years ended December 31, 2014, 2015, and 2016:

	2014	2015	2016
Federal Statutory Tax Rate	34.0%	34.0%	34.0%
State Taxes, Net of Federal Tax Effect	0.7	0.7	0.7
Expenses Not Deductible for Income			
Tax Purposes	6.5	(0.1)	3.7
Miscellaneous Other Differences	(5.9)	—	—
Total Effective Combined Federal and State Income Tax Rate	35.3%	34.6%	38.4%

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. At December 31, 2014, 2015, and 2016, the deferred tax assets and liabilities are comprised of the following:

	2014	2015	2016
Deferred Tax Assets:			
Allowance for Doubtful Accounts	$ 76,000	$ 79,000	$ 71,000
Inventory	362,000	368,000	428,000
Accrued Vacation	880,000	918,000	952,000
Reserve for Self-Insurance	337,000	438,000	302,000
Deferred Rent	1,023,000	1,120,000	1,196,000
NOL, Contribution Carryforwards	7,425,000	439,000	466,000
Other	1,495,000	128,000	397,000
Valuation Allowance	(387,000)	—	—
Total Deferred Tax Assets	11,211,000	3,490,000	3,812,000
Deferred Tax Liabilities:			
Prepaids	591,000	697,000	578,000
Fixed Assets	5,850,000	5,939,000	6,250,000
Intangibles, Transaction Costs and Customer List	6,565,000	5,385,000	4,808,000
Total Deferred Tax Liabilities	13,006,000	12,021,000	11,636,000
Net Deferred Tax Liability	$ (1,795,000)	$ (8,531,000)	$ (7,824,000)

As of December 31, 2016, the Company has state net operating loss carry-forwards of $10,100,000 which will begin to expire in 2018 and may be subject to state loss carryforward limitations. These carry-forwards have been utilized in the determination of the deferred income taxes for financial statement purposes.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Building Leases

The Company leases office, manufacturing, and warehouse facilities from third parties through August 2030. The base monthly rental payments range from approximately $47,000 to $148,000 and include escalation clauses. Therefore, deferred rent has been calculated and recorded. In addition to base rent, the Company also pays all taxes, repairs and maintenance, insurance and other expenses necessary to maintain and operate the buildings and properties. Rent expense under these leases were approximately $5,423,000, $5,578,000, and $5,556,000 for the years ended December 31, 2014, 2015, and 2016, respectively.

Equipment Leases

The Company leases production equipment through several noncancelable operating lease agreements with various payments up to $11,200 per month. These leases expire at various dates through October 2019. Equipment rental expense under these leases was approximately $830,000, $1,072,000, and $611,000 for the years ended December 31, 2014, 2015 and 2016, respectively.

The future minimum building and equipment lease commitments are as follows:

Year Ending December 31,	Amount
2017	$ 5,262,636
2018	5,276,646
2019	5,189,662
2020	5,508,593
2021	3,463,006
Later Years	33,397,323
Total	$58,097,866

Litigation

The Company is involved in claims arising in the ordinary course of business. Although it is not possible to predict the outcome of these matters, it is management's opinion that the outcome will not have a material effect on the financial condition or results of operations of the Company.

Management Equity Incentive Plan

The Company established a plan intended to provide potential incentive compensation to a select group of key employees in connection with a change of control. No compensation amounts were paid and the plan was terminated in June 2016.

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Sales and Gross Receipts Tax

The Company is required to collect and remit sales tax in certain states. In certain situations, the Company relies on exemption certificates or customer self-assessment for use tax. The Company has recorded a liability for gross receipts tax totaling $337,525 included in Accrued Expenses at December 31, 2015 and 2016. There was no gross receipts tax liability recorded at December 31, 2014. Upon examination by a governing authority, it is reasonably possible that additional sales tax obligations have occurred which have not been accrued as of December 31, 2014, 2015, and 2016. Estimates of unrecorded sales tax obligations at December 31, 2014, 2015, and 2016 cannot be reasonably made; however, amounts could be material to the consolidated financial statements.

NOTE 10 SUBSEQUENT EVENT

On December 15, 2017, the stockholders of the Company reached an agreement to sell their entire equity interest to an unrelated third party, ModusLink Global Solutions, Inc. for a purchase price of $475,600,000. The transaction was funded with long-term debt of $393,000,000 and an equity infusion of $82,600,000.

Exhibit 99.2

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS AT DECEMBER 31, 2016 AND SEPTEMBER 30, 2017 AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2017

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
TABLE OF CONTENTS
BALANCE SHEETS AS OF DECEMBER 31, 2016 AND SEPTEMBER 30, 2017
AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2017

CONSOLIDATED FINANCIAL STATEMENTS

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND SEPTEMBER 30, 2017

	2016	(Unaudited) 2017
ASSETS		
CURRENT ASSETS		
Cash	$ 18,200,363	$ 26,075,429
Accounts Receivable—Trade, Net	44,702,450	54,797,091
Inventories	23,018,506	23,268,130
Prepaid Expenses	5,034,682	5,257,220
Deferred Income Taxes	2,768,000	3,053,000
Total Current Assets	93,724,001	112,450,870
PROPERTY AND EQUIPMENT		
Land and Improvements	938,271	938,271
Leasehold Improvements	15,796,586	16,265,336
Machinery and Equipment	144,670,537	147,797,537
Office Furniture and Equipment	18,721,928	16,611,003
Total	180,127,322	181,612,147
Less: Accumulated Depreciation	129,350,871	136,546,462
Total Property and Equipment, Net	50,776,451	45,065,685
OTHER ASSETS		
Goodwill	174,584,000	174,584,000
Intangibles, Net	44,586,667	40,406,667
Deposits	376,473	378,927
Total Other Assets	219,547,140	215,369,594
Total Assets	$364,047,592	$372,886,149

See accompanying Notes to Consolidated Financial Statements.

	2016	(Unaudited) 2017
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt and Capital Leases	$ 7,511,487	$ 3,513,842
Accounts Payable—Trade	30,955,113	30,742,678
Income Tax Payable	58,888	607,708
Customer Deposits	11,220,710	13,498,705
Accrued Expenses	28,911,620	33,775,954
Total Current Liabilities	78,657,818	82,138,887
LONG-TERM LIABILITIES		
Long-Term Debt and Capital Leases, Net	365,076,954	386,837,075
Deferred Rent	3,447,900	3,613,021
Post-Retirement Benefit Obligation	15,143	15,143
Deferred Income Taxes	10,592,000	9,634,000
Total Long-Term Liabilities	379,131,997	400,099,239
Total Liabilities	457,789,815	482,238,126
STOCKHOLDERS' DEFICIT		
Common Stock	6,250	6,250
Preferred Stock, Series A, Series B-1 and Series B-2	152,516	152,516
Additional Paid-In Capital	322,627,019	322,627,019
Accumulated Deficit	(416,528,008)	(432,137,762)
Total Stockholders' Deficit	(93,742,223)	(109,351,977)
Total Liabilities and Stockholders' Deficit	$ 364,047,592	$ 372,886,149

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2017 (UNAUDITED)

	2016	2017
SALES	$344,537,547	$366,722,745
COST OF SALES	261,294,907	267,688,136
GROSS PROFIT	83,242,640	99,034,609
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSE	56,452,562	54,023,227
INCOME BEFORE OTHER (INCOME) EXPENSE	26,790,078	45,011,382
OTHER (INCOME) EXPENSE		
Interest Expense, Net	24,808,436	27,384,471
(Gain) Loss on Sale of Equipment	492,083	(25,104)
Total Other Income	25,300,519	27,359,367
NET INCOME BEFORE INCOME TAXES	1,489,559	17,652,015
PROVISION FOR INCOME TAXES	700,000	6,492,000
NET INCOME	$ 789,559	$ 11,160,015

See accompanying Notes to Consolidated Financial Statements.

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
AS OF DECEMBER 31, 2016 AND NINE MONTHS ENDED SEPTEMBER 30, 2017

	Common Stock		Preferred Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
BALANCE—DECEMBER 31, 2016	625,000	$6,250	15,251,595	$152,516	$322,627,019	$(416,528,008)	$ (93,742,223)
Dividends (Unaudited)	—	—	—	—	—	(26,769,769)	(26,769,769)
Net Income (Unaudited)	—	—	—	—	—	11,160,015	11,160,015
BALANCE—SEPTEMBER 30, 2017 (UNAUDITED)	625,000	$6,250	15,251,595	$152,516	$322,627,019	$(432,137,762)	$(109,351,977)

See accompanying Notes to Consolidated Financial Statements.

IWCO DIRECT HOLDINGS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2017 (UNAUDITED)

	2016	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 789,559	$ 11,160,015
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	14,947,611	14,565,468
Amortization of Deferred Financing Costs	1,033,061	1,033,061
(Gain) Loss on Sale of Equipment	492,083	(25,104)
Deferred Income Taxes	(1,499,000)	(1,243,000)
Deferred Rent	165,122	165,121
(Increase) Decrease in Current Assets:		
Accounts Receivable—Trade, Net	(1,722,381)	(10,094,641)
Income Tax Receivable	525,018	548,820
Inventories	(3,146,713)	(249,624)
Prepaid Expenses and Deposits	123,587	(224,992)
Increase (Decrease) in Current Liabilities:		
Accounts Payable—Trade	(4,323,026)	(212,435)
Customer Deposits	3,072,055	2,277,995
Accrued Expenses	(10,584,270)	4,864,334
Net Cash Provided by Operating Activities	(127,294)	22,565,018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,765,609)	(4,649,598)
Proceeds from Sale of Equipment	152,000	—
Net Cash Used by Investing Activities	(2,613,609)	(4,649,598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	41,000,000	22,000,000
Principal Payments on Long-Term Debt	(1,913,175)	(1,275,450)
Net Payments on Capital Leases	(4,353,729)	(3,995,135)
Dividends	(63,972,742)	(26,769,769)
Net Cash Used by Financing Activities	(29,239,646)	(10,040,354)
NET INCREASE (DECREASE) IN CASH	(31,980,549)	7,875,066
Cash—Beginning of Period	32,961,086	18,200,363
CASH—END OF PERIOD	$ 980,537	$ 26,075,429
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid	$ 24,808,494	$ 17,967,172
Income Taxes Paid	$ 1,673,943	$ 7,186,180
Noncash Financing Activities:		
Purchase of Property and Equipment through Accounts Payable	$ 1,800,000	$ —

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

IWCO Direct Holdings Inc. and Subsidiaries (the Company) is a fully integrated direct marketing service provider serving customers throughout the United States from locations in Minnesota and Pennsylvania.

Principles of Consolidation

The consolidated financial statements include the accounts and operating results of IWCO Direct Holdings, Inc., Instant Web, LLC and its wholly owned subsidiaries, United Mailing, Inc., Victory Envelope, Inc., IWCO Direct New York, Inc., IWCO Direct North Carolina, Inc., and IWCO Direct Twin, LLC. All significant intercompany transactions and balances have been eliminated.

The consolidated balance sheets are presented at December 31, 2016 and September 30, 2017, and statements of operations are presented for the periods from January 1, 2016 through September 30, 2016, and January 1, 2017 through September 30, 2017.

Basis of Presentation

The accompanying consolidated financial statements are prepared in conformity with GAAP. The accompanying consolidated financial statements presented herewith reflect all adjustments (consisting of only normal and recurring adjustments unless otherwise disclosed) which, in the opinion of the Company's management team, are necessary for a fair presentation of the results of operations for the nine months ended September 30, 2016 and 2017. The results of operations for interim periods are not necessarily indicative of results to be expected for an entire year. These financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended December 31, 2016.

Accounts Receivable

The Company uses the allowance method to account for uncollectible accounts receivable. The allowance is sufficient to cover both current and anticipated future losses. Uncollectible amounts are charged against the allowance account. Management has estimated that an allowance of approximately $206,000 is sufficient based upon prior experience with customers and analysis of individual trade accounts at December 31, 2016 and September 30, 2017.

The Company offers most customers net 30-day terms. In special situations, the Company may offer extended terms or discounts to selected customers.

Inventories

Raw material inventories are stated at the lower of cost (first-in, first-out) or market. Work in process is valued at standard rates, which approximate cost, for labor and overhead and at cost for materials and outside purchases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (Continued)

The components of inventories at December 31, 2016 and September 30, 2017 are as follows:

	2016	2017
Raw Materials	$ 8,217,887	$ 7,841,919
Work in Process	14,996,619	15,642,211
Less: Inventory Obsolescence Reserve	(196,000)	(216,000)
Total	$23,018,506	$23,268,130

Property and Equipment

Property and equipment are being depreciated over their estimated useful lives using the straight-line method of depreciation. Land and Improvements are not depreciated. Estimated useful lives of property and equipment are as follows:

Leasehold Improvements	15 Years
Machinery and Equipment	3 - 10 Years
Office Furniture and Equipment	3 - 7 Years

Leasehold improvements are depreciated over the shorter of the useful life as listed above or the term of the lease.

Depreciation expense for the nine months ended September 30, 2016 and September 30, 2017 was $10,767,611 and $10,385,468, respectively.

The Company has evaluated its machinery and equipment for impairment. Management has determined that no impairment has occurred for the nine months ended September 30, 2016 and September 30, 2017.

Deferred Financing Costs, Net

The Company has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest* (Subtopic 835-30): *Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires an organization to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the term of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs assets to zero and decreased the debt liabilities at December 31, 2016 and September 30, 2017, by $2,895,019 and $1,861,958, respectively. The adoption of the standard had no effect on previously reported net income or stockholders' deficit. The ASU is retrospectively applied.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs, Net (Continued)

Noncash deferred financing interest expense was approximately $1,033,061 for the nine months ended September 30, 2016 and September 30, 2017.

Goodwill

Goodwill is recognized as a result of a business combination when the price paid for the acquired business exceeds the fair value of its identified net assets. Identifiable intangible assets are recognized at their fair value when acquired. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually.

The Company has evaluated its goodwill acquired through business acquisitions for impairment. Management has determined that no impairment has occurred during the nine month periods ended September 30, 2016 or 2017.

Customer List

The Company has allocated the following values to a customer list based on the future earning potential of the customer base at December 31, 2016 and September 30, 2017:

	2016	2017
Customer List	$66,880,000	$66,880,000
Accumulated Amortization	22,293,333	26,473,333
Net Customer List	$44,586,667	$40,406,667
Amortization Period	12 Years	12 Years
Amortization Expense—Nine Months Ended September 30	$ 4,180,000	$ 4,180,000

The Company has evaluated its customer list acquired through a business acquisition for impairment. Management has determined that no impairment has occurred during the nine month periods ended September 30, 2016 or 2017.

Revenue Recognition

The Company recognizes revenue for the majority of its products upon the transfer of title and risk of ownership, which is generally upon delivery of the product to the US Post Office, pursuant to the terms of the agreement with the customer. Under agreements with certain customers, custom products may be stored by the Company for future delivery. In these cases, delivery and billing schedules are outlined in the customer agreement and product revenue is recognized when manufacturing is complete, title and risk of ownership transfer to the customer, the amount due from the customer is fixed, and collectibility of the related receivable is reasonably assured. Revenue from services is recognized as services are performed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Certain revenues earned by the Company require judgment to determine if revenue should be recorded gross as a principal or net of related costs as an agent. In general, these revenues are recognized on a gross basis if the Company has control over selecting vendors and pricing, is the primary obligor in the arrangement and bears credit risk and the risk of loss for inventory in its possession. Revenue from contracts that do not meet these criteria is recognized on a net basis.

Many of the Company's operations process materials, primarily paper, that may be supplied directly by customers or may be purchased by the Company and sold to customers. No revenue is recognized for customer-supplied paper, but revenues for Company-supplied paper are recognized on a gross basis.

The Company records deferred revenue in situations where amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met.

Shipping and Handling Costs

The Company includes freight and other shipping costs in cost of sales. Billings for third-party shipping and handling costs are included in sales. Postage paid by customers is excluded from revenue and cost of sales.

Concentrations of Credit Risk

Substantially all cash is deposited in one financial institution. At times, amounts on deposit are in excess of the Federal Deposit Insurance Corporation insurance limits.

The Company extends credit to customers based on an evaluation of the customer's financial condition, generally without requiring collateral. Concentrations of credit risk with respect to trade receivables are limited due to the number of customers comprising the Company's customer base.

At December 31, 2016 and September 30, 2017, the Company had open accounts receivables from one customer that was approximately 11.0% and 17.0% of total accounts receivable, respectively.

For the nine months ended September 30, 2016 and 2017, the Company had sales concentrations from one customer that was approximately 10.1% and 11.0% of sales, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company utilizes an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

Subsequent Events

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 16, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 LINE OF CREDIT

The Company is contracted with Wells Fargo to provide a revolving line of credit. The revolving line of credit has a maximum borrowing amount of $30,000,000 limited to 85% of accounts receivable less any outstanding letters of credit. The Company had outstanding letters of credit of $3,450,000 at September 30, 2017. Interest accrues on the outstanding balance at the three-month LIBOR rate plus 2.25%. The revolving line of credit matures in September 2018. There were no outstanding balances under this line of credit at December 31, 2016 or September 30, 2017.

NOTE 3 LONG-TERM DEBT AND CAPITAL LEASES

Long-term debt and capital leases consist of the following as of December 31, 2016 and September 30, 2017:

Description	2016	2017
Term Loan A with Prospect Capital Corporation requiring quarterly payments of $637,725 plus interest, which accrues at the greater of 3-month LIBOR rate plus 4.5% or 5.5% (5.83% at September 30, 2017), maturing March 2019 including balloon payment. The note is secured by all assets and common stock of the Company.	$155,925,383	$154,649,933
Term Loan B with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 11% or 12% (12.33% at September 30, 2017). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	162,600,000	162,600,000
Term Loan C-1 with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 11.75% or 12.75% (13.08% at September 30, 2017). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	27,000,000	27,000,000
Term Loan C-2 with Prospect Capital Corporation requiring quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 12.50% or 13.55% (13.83% at September 30, 2017). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	25,000,000	25,000,000
Term Loan C-3 with Prospect Capital Corporation requirng quarterly interest payments, which accrue at the greater of 3-month LIBOR rate plus 12.50% or 13.55% (13.83% at September 30, 2017). The entire principal is due at maturity in March 2019. The note is secured by all assets and common stock of the Company.	—	22,000,000

NOTE 3 LONG-TERM DEBT AND CAPITAL LEASES (CONTINUED)

Description	2016	2017
Capital Leases requiring monthly or quarterly payments ranging from $3,494 to $1,032,595, which accrue at rates up to 8.6% and mature at various dates through September of 2018. These leases are secured by the leased equipment.	$ 4,958,077	$ 962,942
Total	375,483,460	392,212,875
Less: Current Maturities	7,511,487	3,513,842
Less: Deferred Finance Costs, Net of Accumulated Amortization of $3,787,891 and $4,820,952 at December 31, 2016 and ‘September 30, 2017, respectively	2,895,019	1,861,958
Total Long-Term Debt and Capital Leases	$365,076,954	$386,837,075

The agreements, including the line of credit (Note 2), contain certain covenants, including financial covenants, requiring the Company to achieve a minimum quarterly leverage ratio and fixed charge coverage ratio. The Company was in compliance with all covenants as of December 31, 2016 and September 30, 2017.

Future annual maturities on notes payable and capital leases are as follows:

Period Ending September 30,	Amount
2018	$ 3,513,842
2019	388,699,033
Total	$392,212,875

NOTE 4 STOCKHOLDERS’ DEFICIT

The following summarizes the number of authorized, issued, and outstanding stock at December 31, 2016 and September 30, 2017:

Class of Stock	Authorized	2016 Issued and Outstanding	2017 Issued and Outstanding
Series A Preferred Stock	1,190,000	768,072	768,072
Series B-1 Preferred Stock	12,000,000	11,582,030	11,582,030
Series B-2 Preferred Stock	3,500,000	2,901,493	2,901,493
Common Stock	880,000	625,000	625,000

All classes of stock have a par value of $0.01

NOTE 4 STOCKHOLDERS' DEFICIT (CONTINUED)

The Series B-1 Preferred Stock shall rank senior with respect to dividend rights and rights upon liquidation, dissolution, or winding up, to all other equity securities of the Company, including any other series or class of Common Stock. Series B-2 Preferred Stock ranks next and Series A Preferred Stock shall have priority after both Series B-1 and B-2 Preferred Stocks.

Dividends on each outstanding share of preferred stock shall be cumulative and begin to accrue and accumulate, regardless of declaration, from the issue date of each share of the Series A Preferred Stock at an annual rate equal to 15% of the liquidation preference. Series A Preferred Stock have cumulative unpaid liquidation preference of approximately $129,708,000 at September 30, 2017. The Series B-1 and B-2 Preferred Stock accumulate at an annual rate equal to 12.75% for the liquidation preference. There were no cumulative unpaid liquidation preferences of the Series B-1 and B-2 Preferred Stock at September 30, 2017. Dividends shall accrue and accumulate on a daily basis, and compound on an annual basis, whether or not declared.

NOTE 5 BENEFIT PLANS

Medical Insurance

The Company maintains a self-insured medical insurance plan for its employees. The Company pays the first $350,000 of medical claims per employee per plan year, with an annual aggregate liability of $17,110,600 per plan year. Amounts in excess of the limits are covered by the Company's insurance. At December 31, 2016 and September 30, 2017, the reserve for health insurance claims was $1,607,000 and $2,158,000, respectively.

Workers' Compensation

Effective February 1, 2014, the Company participates in a self-insured workers' compensation program. The Company is responsible for employee claims up to $250,000 per incurrence with an annual aggregate liability of approximately $3,300,000. Amounts in excess of the limits are covered by the Company's insurance. The amount of reserve for these claims at December 31, 2016 and September 30, 2017 was approximately $857,500 and $1,040,700, respectively.

Prior to February 1, 2014, the Company participated in a pre-funded self-insured workers' compensation program. The Company was responsible for employee claims of up to $250,000 per incurrence with an annual aggregate liability of approximately $4,900,000 per plan year. Amounts in excess of the limits are covered by the Company's insurance. Under this plan, the insurance provider estimates the claims and estimated losses. The Company pays the estimate in equal installments. At December 31, 2016 and September 30, 2017, the Company estimated that payments in excess of workers' compensation claims to be approximately $1,880,000 and $1,900,000, respectively.

NOTE 5 BENEFIT PLANS (CONTINUED)

Workers' Compensation (Continued)

As part of the Transcontinental Direct U.S.A. acquisition in 2010, the Company assumed open workers' compensation claims. The Company is responsible for employee claims of up to $250,000 per incurrence. Amounts in excess of the limits are covered by the Company's insurance. The amount of the reserve for these claims at December 31, 2016 and September 30, 2017 was approximately $198,000 and $193,000, respectively.

Retirement Plan

Substantially all of the employees are eligible to participate in a 401(k) savings plan (the Plan). The Plan is a qualified defined contribution plan that provides for contributions based primarily upon compensation levels and employee contributions. The Company's contribution to the Plan is discretionary and was approximately $1,238,000 and $1,425,000 for the nine months ended September 30, 2016 and 2017, respectively.

NOTE 6 STOCK OPTIONS

Under the Company's Equity Incentive Plan, the Company may grant options to employees for up to 112,952 shares of its parent's common stock. The exercise price of each option equals the market price of the parent company's stock on the date of grant and an option's maximum vesting term is five years from date of grant. These shares vest ratably based on service periods as well as Company performance measurements and return to investors. The payment of the option price may be made at the election of the participant either (a) in cash, (b) in shares having a fair market value equal to the aggregate option price for the shares, or (c) by reducing the number of shares deliverable upon the exercise of the option by the number of shares having a fair market value equal to the option price. Should a change of control or public offering event occur prior to five years, all shares are immediately 100% vested.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Company accounts for stock-based compensation arrangements in accordance with professional standards which require compensation cost to be determined based on the difference, if any, on the grant date between the fair value of the parent company's stock and the amount an employee must pay to acquire the stock. Compensation expense is recognized over the vesting period. No compensation expense was recognized in the nine months ended September 30, 2016 or September 30, 2017.

NOTE 6 STOCK OPTIONS (CONTINUED)

A summary of the status of the Company’s stock option plan is presented below for the nine months ended September 30:

	2016		2017	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding—Beginning of Period	101,448	$ 32.56	101,448	$ 32.56
Granted	—	$ 32.56	—	$ 32.56
Forfeited or Expired	—	$ 32.56	—	$ 32.56
Outstanding at End of Peroid	101,448		101,448	
Options Exercisable at Period-End	101,264		101,448	

Information pertaining to options outstanding at September 30, 2017 is as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$32.56	101,448	2.74	$ 32.56	101,448	$ 32.56
Outstanding at End of Period	101,448	2.74	$ 32.56	101,448	$ 32.56

Effective December 15, 2017, the stock option plan was terminated.

NOTE 7 INCOME TAXES

The provision (benefit) for income taxes consists of the following as of September 30, 2016 and 2017:

	2016	2017
Current		
Federal Income Tax	$ 2,112,000	$ 7,571,000
State Income Tax	87,000	164,000
Total Current	2,199,000	7,735,000
Deferred Federal and State Tax	(1,499,000)	(1,243,000)
Total Income Tax Expense	$ 700,000	$ 6,492,000

NOTE 7 INCOME TAXES (CONTINUED)

The reconciliation of the effective combined federal and state income tax rates to the federal statutory income tax rate of 34% are as follows for the nine months ended September 30, 2016 and 2017:

	2016	2017
Federal Statutory Tax Rate	34.0%	34.0%
State Taxes, Net of Federal Tax Effect	0.7	0.7
Expenses Not Deductible for Income Tax Purposes	10.1	1.0
Miscellaneous Other Differences	2.2	1.1
Total Effective Combined Federal and State Income Tax Rate	47.0%	36.8%

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. At December 31, 2016 and September 30, 2017, the deferred tax assets and liabilities are comprised of the following:

	2016	2017
Deferred Tax Assets:		
Allowance for Doubtful Accounts	$ 71,000	$ 71,000
Inventory	428,000	476,000
Accrued Vacation	952,000	966,000
Reserve for Self-Insurance	302,000	450,000
Deferred Rent	1,196,000	1,253,000
NOL, Contribution Carryforwards	466,000	471,000
Other	397,000	414,000
Total Deferred Tax Assets	3,812,000	4,101,000
Deferred Tax Liabilities:		
Prepaids	578,000	576,000
Fixed Assets	6,250,000	5,420,000
Intangibles, Transaction Costs and Customer List	4,808,000	4,686,000
Total Deferred Tax Liabilities	11,636,000	10,682,000
Net Deferred Tax Liability	$ (7,824,000)	$ (6,581,000)

As of September 30, 2017, the Company has state net operating loss carry-forwards of $10,203,000 which will begin to expire in 2018 and may be subject to state loss carryforward limitations. These carry-forwards have been utilized in the determination of the deferred income taxes for financial statement purposes.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Building Leases

The Company leases office, manufacturing, and warehouse facilities from third parties through August 2030. The base monthly rental payments range from approximately $47,000 to $148,000 and include escalation clauses. Therefore, deferred rent has been calculated and recorded. In addition to base rent, the Company also pays all taxes, repairs and maintenance, insurance and other expenses necessary to maintain and operate the buildings and properties. Rent expense under these leases was approximately $4,174,000 and $4,214,000 for the periods ended September 30, 2016 and September 30, 2017, respectively.

Equipment Leases

The Company leases production equipment through several noncancelable operating lease agreements with various payments up to $11,200 per month. These leases expire at various dates through October 2019. Equipment rental expense under these leases was approximately $351,000 for the periods ended September 30, 2016 and September 30, 2017.

The future minimum building and equipment lease commitments are as follows:

Period Ending September 30,	Amount
2018	$ 5,326,397
2019	5,239,073
2020	5,545,666
2021	3,464,519
2022	3,153,648
Later Years	30,243,675
Total	$52,972,978

Litigation

The Company is involved in claims arising in the ordinary course of business. Although it is not possible to predict the outcome of these matters, it is management's opinion that the outcome will not have a material effect on the financial condition or results of operations of the Company.

Management Equity Incentive Plan

The Company established a plan intended to provide potential incentive compensation to a select group of key employees in connection with a change of control. No compensation amounts were paid and the plan was terminated in June 2016.

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Sales and Gross Receipts Tax

The Company is required to collect and remit sales tax in certain states. In certain situations the Company relies on exemption certificates or customer self-assessment for use tax. The Company has recorded a liability for gross receipts tax totaling $337,525 included in Accrued Expenses at December 31, 2016 and September 30, 2017. Upon examination by a governing authority, it is reasonably possible that additional sales tax obligations have occurred which have not been accrued as of December 31, 2016 and September 30, 2017. Estimates of unrecorded sales tax obligations at December 31, 2016 and September 30, 2017 cannot be reasonably made; however, amounts could be material to the consolidated financial statements.

NOTE 9 SUBSEQUENT EVENT

On December 15, 2017, the stockholders of the Company reached an agreement to sell their entire equity interest to an unrelated third party, ModusLink Global Solutions, Inc. for a purchase price of $475,600,000. The transaction was funded with long-term debt of $393,000,000 and an equity infusion of $82,600,000.

Exhibit 99.3

Steel Connect, Inc.

Unaudited Pro Forma Condensed Combined Financial Information

Steel Connect, Inc. previously operated under the name ModusLink Global Solutions, Inc. (the “Company”). On December 15, 2017 (the “Effective Date”), Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, MLGS Merger Company, Inc., a Delaware corporation and newly formed wholly-owned subsidiary of the Company (“MLGS”), IWCO Direct Holdings Inc. (“IWCO”), CSC Shareholder Services, LLC, and the stockholders of IWCO. On the Effective Date and pursuant to the Merger Agreement, MLGS was merged with and into IWCO, with IWCO surviving as a wholly-owned subsidiary of the Company (the “IWCO Acquisition”).

The following unaudited pro forma condensed combined financial statements are based on the Company’s historical consolidated financial statements and IWCO’s historical consolidated financial statements as adjusted to give effect to the Company’s acquisition of IWCO and related transactions. The unaudited pro forma condensed combined statements of operations for the three months ended October 31, 2017 and the twelve months ended July 31, 2017 give effect to these transactions as if they had occurred on August 1, 2016. The unaudited pro forma condensed combined balance sheet as of October 31, 2017 gives effect to these transactions as if they had occurred on October 31, 2017.

The Company’s fiscal year ended July 31, 2017 while IWCO’s fiscal year ended December 31, 2016. The historical balances included in the unaudited pro forma condensed combined balance sheet as of October 31, 2017 includes IWCO’s unaudited financial information as of October 31, 2017. The historical balances included in the unaudited pro forma condensed combined statement of operations for the three month period ended October 31, 2017 includes IWCO’s unaudited financial information for the three month period ended September 30, 2017. The historical balances included in the unaudited pro forma condensed combined statements of operations for the twelve month period ended July 31, 2017 includes IWCO’s unaudited financial information for the twelve month period ended June 30, 2017. The pro forma adjustments include all adjustments that give effect to events that are directly attributable to the transaction, are expected to have a continuing impact, and are factually supportable.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only, in accordance with Article 11 of Regulation S-X, and are not intended to represent or to be indicative of the results of income or financial position that the Company would have reported had the transaction been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet and statements of operations do not purport to represent the future financial position of the Company’s consolidated information.

The unaudited pro forma condensed combined financial statements reflect management’s preliminary estimates of the fair values of tangible and intangible assets acquired and liabilities assumed, with the remaining purchase price recorded as goodwill. Independent valuation specialists have conducted analyses in order to assist the management of the Company in determining the fair value of the acquired assets and liabilities. The Company’s management is responsible for these third party valuations and appraisals. Upon completion of the valuation for the transaction, the Company may make additional adjustments and these valuations could change significantly from those used in the pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of October 31, 2017
(In thousands, except per share information)

	Steel Connect, Inc. Historical	IWCO (Acquiree) Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Current assets:					
Cash and cash equivalents	$ 119,768	$ 22,562	$ (95,635)	(a)	$ 46,695
Accounts receivable, trade, net	85,091	53,168	(5,327)	(b)	132,932
Inventories	31,535	22,933	4,232	(b)	58,700
Funds held for clients	12,333	—	—		12,333
Prepaid expenses and other current assets	7,483	5,258	2,169	(b)	14,910
Total current assets	256,210	103,921	(94,561)		265,570
Property and equipment, net	15,446	45,588	44,136	(c)	105,170
Intangible assets, net	—	39,942	170,978	(d)	210,920
Goodwill	—	174,584	91,415	(e)	265,999
Other assets	4,604	2,344	85,781	(h)	92,729
Total assets	$ 276,260	$ 366,379	$ 297,749		$ 940,388
Current liabilities:					
Accounts payable	$ 74,507	$ 31,107	$ (38)	(b)	$ 105,576
Accrued restructuring	165	—			165
Accrued expenses	34,588	23,280	3,459	(b)	61,327
Funds held for clients	12,333	13,267	(5,438)	(b)	20,162
Notes payable	—	2,551	3,449	(f)	6,000
Other current liabilities	25,406	9,036	16	(b)	34,458
Total current liabilities	146,999	79,241	1,448		227,688
Notes payable	60,891	388,062	3,604	(f)	452,557
Other long-term liabilities	10,056	30,028	76,432	(i)	116,516
Long-term liabilities	70,947	418,090	80,036		569,073
Total liabilities	217,946	497,331	81,484		796,761
Commitments and contingencies					
Stockholders' equity:					
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding shares at October 31, 2017	—	—	—		—
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; 55,557,326 issued and outstanding shares at October 31, 2017	556	—	—		556
Additional paid-in capital	7,457,346	143,873	(143,873)	(g)	7,457,346
Accumulated deficit	(7,404,186)	(274,587)	359,900	(g)	(7,318,873)
Stock subscription receivable	—	(238)	238	(g)	—
Accumulated other comprehensive income	4,598	—	—		4,598
Total stockholders' equity	58,314	(130,952)	216,265	(g)	143,627
Total liabilities and stockholders' equity	$ 276,260	$ 366,379	$ 297,749		$ 940,388

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Unaudited Pro Forma Condensed Combined Statement of Operations
Three Months Ended October 31, 2017
(In thousands, except per share amounts)

	Steel Connect, Inc. Historical	IWCO (Acquiree) Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Net revenue	$ 102,522	$122,886	$ —		$225,408
Cost of revenue	93,448	86,312	910	(c)	179,760
Gross profit	9,074	36,574	(910)		45,648
Operating expenses					
Selling, general and administrative	12,867	19,602	3,145	(d)	36,524
Restructuring, net	37	—	—		37
Total operating expenses	12,904	19,602	3,145		36,561
Operating income (loss)	(3,830)	16,972	(4,055)		9,087
Other income (expense):					
Interest income	164	—	—		164
Interest expense	(2,107)	(9,143)	1,054	(j)	(10,196)
Other gains (losses), net	1,422	—	—		1,422
Total other income (expense)	(521)	(9,143)	1,054		(8,610)
Income (Loss) before income taxes	(4,351)	7,829	(3,001)		477
Income tax expense	1,087	2,833	(2,746)	(k)	1,174
Gains on investments in affiliates, net of tax	(201)	—	—		(201)
Net Income (Loss)	$ (5,237)	$ 4,996	$ (255)		$ (496)
Basic and diluted net loss per share	$ (0.09)				$ (0.01)
Weighted average common shares used in basic and diluted earnings per share	55,260				55,260

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements

Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended July 31, 2017
(In thousands, except per share amounts)

	Steel Connect, Inc. Historical	IWCO (Acquiree) Historical	Pro Forma Adjustments	Notes	Pro Forma Combined
Net revenue	$ 436,620	$447,655	$ —		$884,275
Cost of revenue	400,255	326,233	3,640	(c)	726,488
Gross profit	36,365	121,422	(3,640)		157,787
Operating expenses					
Selling, general and administrative	54,159	68,241			126,040
Amortization of intangible assets	—	6,951	12,582	(d)	19,533
Restructuring, net	1,967	—	—		1,967
Total operating expenses	56,126	75,192	12,582		147,540
Operating income (loss)	(19,761)	46,230	(16,222)		10,247
Other income (expense):					
Interest income	399	—	—		399
Interest expense	(8,247)	(35,969)	3,796	(j)	(40,420)
Other gains (losses), net	3,200	—	—		3,200
Total other income (expense)	(4,648)	(35,969)	3,796		(36,821)
Income (loss) before income taxes	(24,409)	10,261	(12,426)		(26,574)
Income tax expense (benefit)	2,696	3,712	(3,362)	(k)	3,046
Gains on investment on affiliates, net of tax	(1,278)	—	—		(1,278)
Net Income (Loss)	$ (25,827)	$ 6,549	$ (9,064)		$ (28,342)
Basic and diluted net loss per share	$ (0.47)				$ (0.51)
Weighted average common shares used in basic and diluted earnings per share	55,134				55,134

See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements

STEEL CONNECT, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(in thousands)

Note 1 — Basis of presentation

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combination.

The business combination was accounted for under the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. As the acquirer for accounting purposes, the Company has estimated the fair value of IWCO's assets acquired and liabilities assumed and conformed the accounting policies of IWCO to its own accounting policies.

The pro forma combined financial statements do not necessarily reflect what the combined company's financial condition or results of operations would have been had the acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors.

Note 2 — Preliminary purchase price allocation

On December 15, 2017, the Company acquired IWCO for total consideration of approximately $469.2 million, net of purchase price adjustments. The Company financed the acquisition through a combination of proceeds from a $393 million Term Loan issued pursuant to the Senior Credit Facility, and $76.2 million of cash on hand, net of a $2.5 million receivable from escrow for working capital claims. The transaction price included one-time transaction incentive awards of $3.5 million paid to executives upon closing. In connection with the acquisition, the Company paid transaction costs of $1.5 million.

The unaudited pro forma condensed combined financial information includes various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed of IWCO based on management's best estimates of fair value. The final purchase price allocation may vary based on final appraisals, valuations and analyses of the fair value of the acquired assets and assumed liabilities. Accordingly, the pro forma adjustments are preliminary and have been made solely for illustrative purposes.

The following table shows the preliminary allocation of the purchase price for IWCO to the acquired identifiable assets, assumed liabilities and pro forma goodwill:

	(in thousands)
Accounts receivable	$ 47,841
Inventory	27,165
Other current assets	7,427
Property and equipment	87,976
Intangible assets	210,920
Goodwill	265,999
Other assets	3,040
Accounts payable	(31,069)
Accrued liabilities and other current liabilities	(35,790)
Customer deposits	(7,829)
Deferred income taxes	(86,832)
Other liabilities	(19,627)
Total consideration	$ 469,221

Acquired intangible assets include trademarks and tradenames valued at $20,520 and customer relationships of $190,400. The preliminary fair value estimate of trademarks and tradenames was prepared utilizing a relief from royalties method of valuation, while the preliminary fair value estimate of customer relationships was prepared using a multi-period excess earnings method of valuation.

The trademarks and tradenames intangible asset will be amortized on a straight line basis over a 3 year estimated useful life. The customer relationship intangible asset will be amortized over an estimated useful life of 15 years.

The acquired property and equipment consist mainly of machinery and equipment. The fair value of the acquired property and equipment was estimated using the cost approach to value, and applying industry standard normal useful lives and inflationary indices.

In the preliminary allocation of the purchase price, the Company recognized $266 million of goodwill which arose primarily from the synergies in its business and the assembled workforce of IWCO.

Note 3 — Financing transactions

The Company financed the acquisition of IWCO using $76.2 million of cash on hand, net of a $2.5 million receivable for working capital claims, and by incurring debt of approximately $393 million with a 8.04% interest rate. The Company used the cash on hand and the debt proceeds to extinguish IWCO's existing debt of approximately $430.6 million.

(in thousands)

Additionally, IWCO borrowed $6 million under a revolving credit facility to fund working capital, carrying an interest rate of 8.04%. In connection with obtaining the Senior Credit Facility, the Company incurred approximately $1.3 million in debt issuance costs.

Note 4 — Pro forma adjustments

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

Adjustments to the pro forma condensed combined balance sheet:

(a) Reflects the following adjustments to cash:

Elimination of historical cash balances of IWCO as of October 31, 2017 which were not acquired	$(22,562)
Borrowing under revolving credit facility to fund working capital	6,000
Utilization of the Company's cash on hand for the acquisition of IWCO	(76,220)
The Company's transaction costs paid in connection with the acquisition	(1,518)
Transaction costs paid in connection with the issuance of the Senior Credit Facility loans	(1,335)
Proforma adjustment to cash balances	$(95,635)

(b) Reflects the working capital adjustments based on the purchase price allocation as of the acquisition date as shown in Note 2.

(c) Reflects the preliminary fair value adjustment of $41.7 million to increase the basis in the acquired property and equipment to estimated fair value of $88.0 million. The estimated useful lives range from 1 to 14 years. The fair value and useful life calculations are preliminary and subject to change after the Company finalizes its review of the specific types, nature, age, condition and location of IWCO's property and equipment. IWCO acquired an additional $1.7 million in property and equipment between November 1, 2017 and December 15, 2017. The following table summarizes the changes in the estimated depreciation expense:

	Year ended July 31, 2017	Three months ended October 31, 2017
Estimated depreciation expense	$ 9,836	$ 2,459
Historical depreciation expense	(6,196)	(1,549)
Pro forma adjustments to depreciation expense	$ 3,640	$ 910

(d) Reflects the adjustment of IWCO's historical intangible assets acquired by the Company to their estimated fair values as discussed in Note 2 above. The following table summarizes the estimated fair values of IWCO's identifiable intangible assets and their estimated useful lives:

	Estimated Fair Value	Estimated Useful Life	Amortization Expense Year ended July 31, 2017	Amortization Expense Three months ended October 31, 2017
Trademarks and tradenames	20,520	3	6,840	1,710
Customer relationships	190,400	15	12,693	3,173
	$210,920		19,533	4,883
Historical amortization expense			(6,951)	(1,738)
Pro forma adjustments to amortization expense			$ 12,582	$ 3,145

(e) Reflects the adjustment to remove IWCO's historical goodwill and record the preliminary estimate of goodwill, which represents the excess of the purchase price over the fair value of IWCO's identifiable assets acquired and liabilities assumed as shown in Note 2 above.

(f) Reflects issuance and the repayments of loans as follows. The Term Loan has quarterly principal repayments of $1,500; accordingly, $6,000 represents a current liability.

	Current	Long Term
Term loan issuance to finance the acquisition	$ 6,000	$ 387,000
Revolver loan issuance to finance working capital		6,000
Financing costs for Senior Credit Facility		(1,335)
Elimination of historical current loans balance of IWCO at October 31, 2017	(2,551)	(388,061)
Pro forma adjustment to loan balances	$ 3,449	$ 3,604

(g) Represents the elimination of the historical equity of IWCO and acquisition transaction expenses as follows:

Historical IWCO total shareholders' equity as of October 31, 2017	$130,952
Reduction of the Company's deferred tax valuation allowance	86,832
The Company's transaction costs paid in connection with the acquisition	(1,519)
Pro forma adjustment to shareholders' equity	$216,265

(h) Represents the elimination of historical IWCO deferred financing costs at October 31, 2017 and the reduction of the Company's deferred tax valuation allowance, as follows:

Elimination of historical deferred financing costs, net	$ (1,747)
Reduction of the Company's deferred tax valuation allowance	86,832
Working capital adjustments based on the purchase price allocation as of the acquisition date as shown in Note 2	696
Pro forma adjustment to other assets	$85,781

The Company's deferred tax asset valuation allowance was reduced by $86.8 million. The acquisition of IWCO results in the recognition of deferred tax liabilities of approximately $80.1 million in addition to IWCO's historical deferred tax liability of $6.7 million. The incremental deferred tax liabilities related primarily to goodwill, fixed assets and intangible assets. Because IWCO will be included in the Company's consolidated tax return following the acquisition, the Company has determined that the deferred tax liabilities related to the acquisition provide sufficient taxable income to realize the Company's deferred tax assets of approximately $86.8 million. However, the income tax benefit of $86.8 million related to the reduction in the Company's valuation allowance is not reflected in the pro forma statement of operations because it will not have a continuing impact.

(i) Represents the following adjustments:

Elimination of historical IWCO deferred rent balance at October 31, 2017	$ (3,631)
Record deferred tax liability resulting from pro forma adjustments	80,063
	$76,432

Adjustments to the pro forma condensed statements of operations:

(j) Reflects net decrease in interest expense related to the elimination of IWCO's historical debt at an interest rates ranging from 5.83% to 13.83%, and the issuance of the Term Loan of $393 million and revolver loan of $6 million at 8.04% interest rate, and amortization of deferred financing costs.

(k) Represents the associated income tax effect of pro forma adjustments attributable to the Company, using an estimated combined federal and state statutory income tax rate of approximately 36.18%, which reflects the corporate rate enacted at the pro forma period dates. The tax reform enacted on December 22, 2017 reduced the corporate tax rate to 21% for returns filed in and following 2018. The rate utilized in the pro forma presentation has not been updated and no effects of the tax reform have been reflected in the pro forma financial statements.