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

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended April 30, 2011**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number 000-23262**

# ModusLink Global Solutions, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **04-2921333**<br>**(I.R.S. Employer Identification No.)** |
| **1100 Winter Street**<br>**Waltham, Massachusetts**<br>**(Address of principal executive offices)** | **02451**<br>**(Zip Code)** |

**(781) 663-5001**
**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 3, 2011, there were 43,815,576 shares issued and outstanding of the registrant's Common Stock, $.01 par value per share.

**MODUSLINK GLOBAL SOLUTIONS, INC.**

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MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share and share amounts)
(Unaudited)

| | April 30, 2011 | July 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 119,120 | $ 161,364 |
| Available-for-sale securities | 130 | 270 |
| Accounts receivable, trade, net of allowance for doubtful accounts of $777 and $919, at April 30, 2011 and July 31, 2010, respectively | 135,622 | 159,768 |
| Inventories, net | 83,263 | 74,096 |
| Prepaid expenses and other current assets | 13,803 | 14,226 |
| Total current assets | 351,938 | 409,724 |
| Property and equipment, net | 49,935 | 52,906 |
| Investments in affiliates | 14,073 | 13,016 |
| Goodwill | 3,058 | 16,207 |
| Other intangible assets, net | 5,736 | 24,173 |
| Other assets | 10,402 | 9,760 |
| Total assets | $ 435,142 | $ 525,786 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current installments of obligations under capital leases | $ 38 | $ 40 |
| Accounts payable | 111,000 | 132,098 |
| Current portion of accrued restructuring | 1,618 | 2,632 |
| Accrued income taxes | — | 48 |
| Accrued expenses | 40,314 | 45,729 |
| Other current liabilities | 7,995 | 4,773 |
| Current liabilities of discontinued operations | 1,686 | 1,791 |
| Total current liabilities | 162,651 | 187,111 |
| Long-term portion of accrued restructuring | 299 | 1,000 |
| Obligations under capital leases, less current installments | 3 | 29 |
| Other long-term liabilities | 16,122 | 15,656 |
| Non-current liabilities of discontinued operations | 2,241 | 3,289 |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; zero issued or outstanding at April 30, 2011 and July 31, 2010 | — | — |
| Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; 43,824,651 issued and outstanding shares at April 30, 2011; 44,039,938 issued and 43,729,338 outstanding shares at July 31, 2010 | 438 | 440 |
| Additional paid-in capital | 7,386,248 | 7,427,031 |
| Treasury stock, at cost 310,600 shares at July 31, 2010 | — | (1,992) |
| Accumulated deficit | (7,161,145) | (7,121,015) |
| Accumulated other comprehensive income | 28,285 | 14,237 |
| Total stockholders' equity | 253,826 | 318,701 |
| Total liabilities and stockholders' equity | $ 435,142 | $ 525,786 |

See accompanying notes to unaudited condensed consolidated financial statements

MODUSLINK GLOBAL SOLUTIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net revenue | $207,140 | $213,697 | $677,668 | $695,864 |
| Cost of revenue | 186,906 | 189,090 | 611,689 | 603,708 |
| Gross profit | 20,234 | 24,607 | 65,979 | 92,156 |
| Operating expenses: | | | | |
| Selling, general and administrative | 20,788 | 21,395 | 63,797 | 68,270 |
| Amortization of intangible assets | 1,062 | 1,657 | 4,420 | 4,628 |
| Impairment of goodwill and intangible assets | — | — | 27,166 | — |
| Restructuring and other, net | — | 260 | 1,201 | 425 |
| Total operating expenses | 21,850 | 23,312 | 96,584 | 73,323 |
| Operating income (loss) | (1,616) | 1,295 | (30,605) | 18,833 |
| Other income (expense): | | | | |
| Interest income | 62 | 49 | 191 | 252 |
| Interest expense | (108) | (130) | (350) | (416) |
| Other losses, net | (1,641) | (1,153) | (3,938) | (1,732) |
| Equity in losses of affiliates and impairments | (401) | (211) | (1,417) | (1,923) |
| Total other income (expense) | (2,088) | (1,445) | (5,514) | (3,819) |
| Income (loss) from continuing operations before income taxes | (3,704) | (150) | (36,119) | 15,014 |
| Income tax expense | 1,331 | 942 | 3,772 | 4,997 |
| Income (loss) from continuing operations | (5,035) | (1,092) | (39,891) | 10,017 |
| Discontinued operations, net of income taxes: | | | | |
| Loss from discontinued operations | (91) | (2,334) | (239) | (2,319) |
| Net income (loss) | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,698 |
| Basic and diluted earnings (loss) per share: | | | | |
| Income (loss) from continuing operations | $ (0.12) | $ (0.03) | $ (0.92) | $ 0.22 |
| Income (loss) from discontinued operations | $ — | $ (0.05) | $ (0.01) | $ (0.05) |
| Net income (loss) | $ (0.12) | $ (0.08) | $ (0.93) | $ 0.17 |
| Shares used in computing basic earnings per share: | 43,303 | 43,730 | 43,289 | 44,256 |
| Shares used in computing diluted earnings per share: | 43,303 | 43,730 | 43,289 | 44,408 |

See accompanying notes to unaudited condensed consolidated financial statements

**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(Unaudited)**

| | Nine Months Ended April 30, | |
|---|---|---|
| | 2011 | 2010 |
| Cash flows from operating activities of continuing operations: | | |
| Net income (loss) | $ (40,130) | $ 7,698 |
| Loss from discontinued operations | (239) | (2,319) |
| Income (loss) from continuing operations | (39,891) | 10,017 |
| Adjustments to reconcile income (loss) from continuing operations to net cash provided by continuing operations: | | |
| Depreciation | 12,321 | 12,668 |
| Impairment of goodwill and intangible assets | 27,166 | — |
| Amortization of intangible assets | 4,420 | 4,628 |
| Share-based compensation | 2,619 | 3,296 |
| Non-operating losses, net | 3,938 | 1,732 |
| Equity in losses of affiliates and impairments | 1,417 | 1,923 |
| Changes in operating assets and liabilities, excluding effects from acquisition: | | |
| Trade accounts receivable, net | 32,333 | 24,204 |
| Inventories | (4,336) | 949 |
| Prepaid expenses and other current assets | 790 | 1,927 |
| Accounts payable, accrued restructuring and accrued expenses | (39,464) | (24,288) |
| Refundable and accrued income taxes, net | 675 | (1,208) |
| Other assets and liabilities | (1,678) | (2,104) |
| Net cash provided by operating activities of continuing operations | 310 | 33,744 |
| Cash flows from investing activities of continuing operations: | | |
| Additions to property and equipment | (6,523) | (6,561) |
| Redemption of short-term investments | — | 10,000 |
| Proceeds from the sale of available-for-sale securities | 115 | — |
| Proceeds from the sale of equity investments in affiliates | 52 | 1,146 |
| Business acquisition, net of cash acquired | — | (29,580) |
| Investments in affiliates | (2,473) | (3,202) |
| Net cash used in investing activities of continuing operations | (8,829) | (28,197) |
| Cash flows from financing activities of continuing operations: | | |
| Payments of dividends | (40,001) | — |
| Repayments on capital lease obligations | (40) | (422) |
| Line of credit origination costs | — | (748) |
| Proceeds from issuance of common stock | 168 | 161 |
| Repurchase of common stock | (1,622) | (11,519) |
| Net cash used in financing activities of continuing operations | (41,495) | (12,528) |
| Cash flows from discontinued operations: | | |
| Operating cash flows | (1,263) | (1,235) |
| Net cash used in discontinued operations | (1,263) | (1,235) |
| Net effect of exchange rate changes on cash and cash equivalents | 9,033 | (654) |
| Net decrease in cash and cash equivalents | (42,244) | (8,870) |
| Cash and cash equivalents at beginning of period | 161,364 | 168,767 |
| Cash and cash equivalents at end of period | $ 119,120 | $ 159,897 |

See accompanying notes to unaudited condensed consolidated financial statements

**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

**(1) NATURE OF OPERATIONS**

ModusLink Global Solutions, Inc. (together with its consolidated subsidiaries, "ModusLink Global Solutions" or the "Company"), through its wholly owned subsidiaries, ModusLink Corporation ("ModusLink"), ModusLink PTS, Inc. ("ModusLink PTS"), and Tech for Less, LLC ("TFL"), is a leader in global supply chain business process management serving technology-based clients in the computing, software, consumer electronics, storage and communications markets. The Company designs and executes critical elements in our clients' global supply chains to improve speed to market, product customization, flexibility, cost, quality and service. These benefits are delivered through a combination of innovative service solutions, integrated operations, proven business processes, an expansive global footprint and world-class technology.

The Company had fiscal 2010 revenue of approximately $924.0 million. The Company has an integrated network of strategically located facilities in various countries, including numerous sites throughout North America, Europe and Asia. The Company previously operated under the names CMGI, Inc. and CMG Information Services, Inc. and was incorporated in Delaware in 1986.

**(2) BASIS OF PRESENTATION**

The accompanying condensed consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of a normal recurring nature) considered necessary for fair presentation have been included. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 2010, which are contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on October 14, 2010. The results for the three and nine months ended April 30, 2011 are not necessarily indicative of the results to be expected for the full fiscal year.

All significant intercompany transactions and balances have been eliminated in consolidation.

The Company considers events or transactions that occur after the balance sheet date but before the issuance of financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. For the period ended April 30, 2011, the Company has evaluated subsequent events for potential recognition and disclosure through the date these financial statements were filed.

**(3) RECENT ACCOUNTING PRONOUNCEMENTS**

In September 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-13, Revenue Recognition Topic 605: "Multiple-Deliverable Revenue Arrangements" ("ASU 2009-13"). ASU 2009-13 addresses the unit of accounting for multiple-element arrangements. In addition, ASU 2009-13 revises the method by which consideration is allocated among the units of accounting. The overall consideration is allocated to each deliverable by establishing a selling price for individual deliverables based on a hierarchy of evidence, including vendor-specific objective evidence, other third party evidence of the selling price, or the reporting entity's best estimate of the selling price of individual deliverables in the arrangement. ASU 2009-13 became effective for the Company on August 1, 2010. The adoption of ASU 2009-13 does not have a material impact on the Company's results of operations or financial position.

**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

**(4) GOODWILL AND INTANGIBLE ASSETS**

The Company conducts its goodwill impairment test on July 31 of each fiscal year. In addition, if and when events or circumstances change that could reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. In making this assessment, the Company relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data. The Company's reporting units are the same as the operating segments: Americas, Asia, Europe, e-Business, ModusLink PTS and TFL.

During the second quarter of fiscal year 2011, indicators of potential impairment caused the Company to conduct an interim impairment test for goodwill and other long-lived assets, which includes amortizable intangible assets for its ModusLink PTS and TFL reporting units in connection with the preparation of its quarterly financial statements for the quarter ended January 31, 2011. These indicators included continued operating losses, the departure of key personnel, and increasingly adverse trends that resulted in further deterioration of current operating results and future prospects for both the ModusLink PTS and TFL reporting units. These adverse trends include increased competition for and a decline in the supply of quality products at a reasonable cost for TFL, pricing pressure from existing customers for ModusLink PTS, and the emergence and growth of new competitors for both ModusLink PTS and TFL.

As a result of the impairment tests, the Company concluded that its goodwill was impaired and recorded a $13.2 million non-cash goodwill impairment charge, consisting of $7.1 million for ModusLink PTS and $6.1 million for TFL. The Company also determined that its intangible assets were impaired and recorded a $14.0 million non-cash intangible asset impairment charge, consisting of $8.8 million for ModusLink PTS and $5.2 million for TFL. The goodwill and intangible asset impairment charges for ModusLink PTS are not deductible for tax purposes. The goodwill and intangible asset impairment charges for TFL are deductible as amortization for tax purposes over time. The impairment charge did not affect the Company's liquidity or cash flows.

The estimated fair values of our reporting units for the goodwill impairment test were evaluated using an income approach by calculating the present value of estimated future cash flows. We believe the use of the income approach is appropriate due to lack of comparability to guideline companies and the lack of comparable transactions under the market approach. The income approach incorporates many assumptions including future growth rates, discount factors, expected capital expenditures and income tax cash flows. In developing an appropriate discount rate to apply in its estimated cash flow models the Company developed an estimate of its weighted average cost of capital for ModusLink PTS and TFL.

While performing the interim goodwill impairment test, the Company lowered its forecast of revenue growth and gross profit margins for ModusLink PTS and TFL for fiscal years 2011 to 2018. Revenue growth rates and gross profit margins are the variables which make the most significant impact to the discounted cash flow models for these reporting units. The decline in our forecasts for ModusLink PTS and TFL is attributable to our consideration of the operating losses for these reporting units during the first half of fiscal year 2011, the consideration of the impact that the departure of key personnel could have on our future operating results for these reporting units, and increasingly adverse trends that resulted in further deterioration of current and future operating results.

In connection with completing the goodwill impairment analysis the Company also evaluated the recoverability of its long-lived assets at the ModusLink PTS and TFL reporting units. The asset groups for both ModusLink PTS and TFL are at the reporting unit level. Recoverability of these asset groups is determined by comparing forecasted undiscounted net cash flows of the reporting units to their respective carrying values. If the asset group's cash flows are determined to be unable to recover the carrying amount of its net assets, then a loss is recognized equal to the amount by which the asset group's carrying value exceeds its fair value. The loss is then allocated amongst the long-lived assets based on their relative carrying amounts, with the exception that a loss allocated to an individual asset should not reduce the carrying amount of that asset below its fair value. Based upon this evaluation, the Company determined that the estimated future undiscounted cash flows related to these asset groups were below their carrying values, and therefore these asset groups were impaired.

The Company's remaining goodwill of $3.1 million as of April 30, 2011 relates to the Company's e-Business reporting unit. There were no indicators of impairment identified related to the Company's e-Business reporting unit during the first nine months of fiscal year 2011.

The carrying amount of goodwill allocated to the Company's reportable segments is as follows:

| | Americas | Asia | Europe | TFL (in thousands) | All Other | Consolidated Total |
|---|---|---|---|---|---|---|
| Balance as of July 31, 2010 | | | | | | |
| Goodwill | $ 94,477 | $ 73,948 | $ 30,108 | $ 16,299 | $ 5,857 | 220,689 |
| Accumulated impairment charges | (87,427) | (73,948) | (30,108) | (10,200) | (2,799) | (204,482) |
| | $ 7,050 | $ — | $ — | $ 6,099 | $ 3,058 | $ 16,207 |
| Impairment of goodwill | (7,050) | — | — | (6,099) | — | (13,149) |
| Balance as of April 30, 2011 | | | | | | |
| Goodwill | 94,477 | 73,948 | 30,108 | 16,299 | 5,857 | 220,689 |
| Accumulated impairment charges | (94,477) | (73,948) | (30,108) | (16,299) | (2,799) | (217,631) |
| | $ — | $ — | $ — | $ — | $ 3,058 | $ 3,058 |

The components of intangible assets are as follows (in thousands):

| | April 30, 2011 | | | | July 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated amortization/ impairment | Net Book Value | Weighted average amortization period | Gross Carrying Amount | Accumulated amortization | Net Book Value | Weighted average amortization period |
| Client Relationships | $34,500 | $ 31,349 | $3,151 | 7 years | $34,500 | $ 21,503 | $12,997 | 7 to 10 years |
| Developed Technology | 13,992 | 12,088 | 1,904 | 3 to 7 years | 13,992 | 5,638 | 8,354 | 3 to 8 years |
| Trade Names | 5,405 | 4,756 | 649 | 3 to 7 years | 5,405 | 2,800 | 2,605 | 3 to 8 years |
| Non-competes | 713 | 681 | 32 | 1 to 5 years | 713 | 496 | 217 | 1 to 5 years |
| Total | $54,610 | $ 48,874 | $5,736 | | $54,610 | $ 30,437 | $24,173 | |

As of April 30, 2011, approximately $0.9 million, $0.4 million, $0.7 million and $3.8 million of the Company's remaining intangible assets relate to the Company's Americas, Asia, TFL and e-Business operating segments, respectively.

Amortization expense for intangible assets for the three and nine months ended April 30, 2011 totaled approximately $1.1 million and $4.4 million, respectively.

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Estimated annual amortization expense for intangible assets for the next five years ending July 31 is as follows:

| Fiscal Year | Amount (in thousands) |
|---|---|
| Remaining three months ended July 31, 2011 | $ 1,046 |
| 2012 | $ 1,325 |
| 2013 | $ 1,322 |
| 2014 | $ 1,281 |
| 2015 | $ 762 |

## (5) SHARE-BASED PAYMENTS

Stock options for the purchase of approximately 0.2 million shares of the Company's common stock were awarded to executives during the nine months ended April 30, 2011 at a weighted average exercise price of $6.37 per share. The weighted average option fair value was $2.94 per share. The weighted average option fair value was calculated using the binominal-lattice model with the following weighted average assumptions: expected volatility of 62.8%, risk-free rate of 1.03% and expected life of 4.27 years.

Additionally, approximately 0.2 million nonvested shares were awarded to executives during the nine months ended April 30, 2011 at a weighted average fair value of $6.37 per share. The fair value of nonvested shares is determined based on the market price of the Company's common stock on the grant date.

The following table summarizes share-based compensation expense related to employee stock options, employee stock purchases and nonvested shares for the three and nine months ended April 30, 2011 and 2010, which was allocated as follows:

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Cost of goods sold | $ 90 | $ 74 | $ 282 | $ 249 |
| Selling, general and administrative | 632 | 826 | 2,337 | 3,047 |
| | $ 722 | $ 900 | $2,619 | $3,296 |

## (6) OTHER LOSSES, NET

The following table reflects the components of "Other losses, net":

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Foreign currency exchange losses | $(1,523) | $(1,257) | $(3,514) | $(1,752) |
| Gain on sale of investments | 115 | 151 | 166 | 252 |
| Impairment of investment | (67) | — | (67) | — |
| Gain (loss) on disposal of assets | 8 | (35) | 49 | (103) |
| Other, net | (174) | (12) | (572) | (129) |
| | $(1,641) | $(1,153) | $(3,938) | $(1,732) |

**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
**(unaudited)**

The Company recorded foreign exchange losses of approximately $1.5 million and $3.5 million during the three and nine months ended April 30, 2011, respectively. These net losses primarily related to realized and unrealized losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe. During the three months ended April 30, 2011, the Company recorded a gain of approximately $0.1 million related to the sale of available for sale securities. During the three months ended April 30, 2011, the Company recorded a $0.1 million write-off of an investment in a private company, which has filed for bankruptcy. Additionally, during the nine months ended April 30, 2011, the Company recorded gains of approximately $0.1 million related to distribution of proceeds from the acquisition by third parties of H2Gen Innovations, Inc. and M2E Power, Inc. due to the satisfaction of conditions leading to the release of funds held in escrow.

The Company recorded foreign exchange losses of approximately $1.3 million and $1.8 million during the three and nine months ended April 30, 2010, respectively. These net losses related primarily to realized and unrealized losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe. During the three months ended April 30, 2010, the Company recorded a gain of approximately $0.2 million related to the acquisition by third parties of M2E Power, Inc. and H2Gen Innovations, Inc. Additionally, during the nine months ended April 30, 2010, the Company recorded a gain of approximately $0.1 million to adjust a previously recorded gain on the acquisition by a third party of Virtual Ink, Inc. due to the satisfaction of conditions leading to the release of funds held in escrow.

### (7) RESTRUCTURING AND OTHER CHARGES

The following table summarizes the activity in the restructuring accrual for the three and nine months ended April 30, 2011:

| | Employee Related Expenses | Contractual Obligations | Asset Impairments | Total |
|---|---|---|---|---|
| | | (in thousands) | | |
| Accrued restructuring balance at July 31, 2010 | $ 181 | $ 3,451 | $ — | $ 3,632 |
| Restructuring charges | 816 | — | — | 816 |
| Restructuring adjustments | — | (27) | — | (27) |
| Cash paid | (244) | (486) | — | (730) |
| Accrued restructuring balance at October 31, 2010 | $ 753 | $ 2,938 | $ — | $ 3,691 |
| Restructuring charges | 283 | — | — | 283 |
| Restructuring adjustments | (6) | 135 | — | 129 |
| Cash paid | (629) | (867) | — | (1,496) |
| Accrued restructuring balance at January 31, 2011 | $ 401 | $ 2,206 | $ — | $ 2,607 |
| Restructuring charges | — | — | — | — |
| Restructuring adjustments | — | — | — | — |
| Cash paid | (242) | (448) | — | (690) |
| Accrued restructuring balance at April 30, 2011 | $ 159 | $ 1,758 | $ — | $ 1,917 |

It is expected that the payments of employee-related charges will be substantially completed by July 31, 2011. The remaining contractual obligations primarily relate to facility lease obligations for vacant space resulting from the current and previous restructuring activities of the Company. The Company anticipates that contractual obligations will be substantially fulfilled by March 2014.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(unaudited)

The net restructuring charges for the three and nine months ended April 30, 2011 and 2010 would have been allocated as follows had the Company recorded the expense and adjustments within the functional department of the restructured activities:

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Cost of revenue | $ — | $ 88 | $ 1,022 | $ 391 |
| Selling, general and administrative | — | 172 | 179 | 34 |
| | $ — | $ 260 | $ 1,201 | $ 425 |

During the nine months ended April 30, 2011, the Company recorded a net restructuring charge of approximately $1.2 million. Of this amount, for the nine months ended April 30, 2011, approximately $1.1 million related to the workforce reduction of 55 employees in the Americas and Asia and approximately $0.1 million of the recorded net restructuring charge related to changes in estimates for previously recorded facilities lease obligations primarily based on changes to the underlying assumptions.

During the three and nine months ended April 30, 2010, the Company recorded a net restructuring charge of approximately $0.3 million and $0.4 million, respectively. During the three and nine months ended April 30, 2010, approximately, $0.2 million of the restructuring charge resulted from an early termination payment of a lease in Budapest, Hungary. The Company recorded approximately $(16,000) and $0.1 million for the three and nine months ended April 30, 2010, respectively, due to changes in estimates for previously recorded facilities lease obligations primarily based on changes to the underlying assumptions.

The following table summarizes the restructuring accrual by reportable segment and the Corporate-level activity for the three and nine months ended April 30, 2011:

| | Americas | Asia | Europe | Corporate-level Activity | Consolidated Total |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Accrued restructuring balance at July 31, 2010 | $ 3,148 | $ — | $ 484 | $ — | $ 3,632 |
| Restructuring charges | 457 | 350 | — | 9 | 816 |
| Restructuring adjustments | (27) | — | — | — | (27) |
| Cash paid | (637) | (222) | 138 | (9) | (730) |
| Accrued restructuring balance at October 31, 2010 | $ 2,941 | $ 128 | $ 622 | $ — | $ 3,691 |
| Restructuring charges | 38 | 238 | — | 7 | 283 |
| Restructuring adjustments | 135 | (6) | — | — | 129 |
| Cash paid | (650) | (360) | (479) | (7) | (1,496) |
| Accrued restructuring balance at January 31, 2011 | $ 2,464 | $ — | $ 143 | $ — | $ 2,607 |
| Restructuring charges | — | — | — | — | — |
| Restructuring adjustments | — | — | — | — | — |
| Cash paid | (611) | — | (79) | — | (690) |
| Accrued restructuring balance at April 30, 2011 | $ 1,853 | $ — | $ 64 | $ — | $ 1,917 |

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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**(8) DERIVATIVES AND FINANCIAL INSTRUMENTS**

The Company may enter into foreign currency exchange contracts to manage exposures to certain foreign currencies. The fair value of the Company's foreign currency exchange contract is estimated based on the foreign exchange rates as of April 30, 2011. The Company's policy is not to allow the use of derivatives for trading or speculative purposes. At April 30, 2011, the notional value of the Company's foreign currency exchange contract was to sell $1.0 million U.S. dollars and to buy $1.0 million Australian dollars.

The Company believes that its forward currency exchange contract economically functions as an effective hedge of the underlying exposure; however the foreign currency contract does not meet the specific criteria for hedge accounting defined in Accounting Standards Codification Topic 815, "Derivatives and Hedging," thus requiring the Company to record all changes in the fair value of this contract in earnings in the period of change. During the period ended April 30, 2011, the Company recorded a loss of approximately $0.1 million as a result of fair value change on its outstanding forward currency exchange contract. This loss has been included in "Other losses, net" in the Company's consolidated statement of operations.

**(9) SEGMENT INFORMATION**

The Company has six operating segments: Americas; Asia; Europe; e-Business; ModusLink PTS and TFL. Based on the information provided to the Company's chief operating decision-maker ("CODM") for purposes of making decisions about allocating resources and assessing performance, and due to certain quantitative thresholds being met, the Company has determined that it has four reportable segments: Americas, Asia, Europe and TFL. The Company reports the ModusLink PTS operating segment in aggregation with the Americas operating segment as part of the Americas reportable segment. In addition to its four reportable segments, the Company reports an All other category. The All other category represents the e-Business operating segment. As of July 31, 2010, the Company's e-Business solutions operated within each of the Americas, Asia and Europe reportable segments. ModusLink OCS and TFL were each their own reportable segments as of July 31, 2010. On August 1, 2010 the Company merged ModusLink OCS with its e-Business solutions operations and the Company's reporting structure and reportable segments changed. All prior year segment information has been restated to reflect this change. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance, which are not allocated to the Company's reportable segments and administration costs related to the Company's venture capital activities. The Corporate-level activity balance sheet information includes cash and cash equivalents, available-for-sale securities, investments and other assets, which are not identifiable to the operations of the Company's operating segments.

Management evaluates segment performance based on segment net revenue, operating income (loss) and "adjusted operating income", which is defined as the operating income (loss) excluding net charges related to depreciation, long-lived asset impairment, restructuring, amortization of intangible assets and share-based compensation. These items are excluded because they may be considered to be of a non-operational or non-cash nature. Historically, the Company has recorded significant impairment and restructuring charges and therefore management uses adjusted operating income (loss) to assist in evaluating the performance of the Company's core operations.

**MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**
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Summarized financial information of the Company's continuing operations by operating segment is as follows:

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Net revenue: | | | | |
| Americas | $ 70,784 | $ 73,245 | $227,877 | $228,910 |
| Asia | 57,112 | 60,107 | 177,404 | 203,196 |
| Europe | 63,695 | 62,400 | 219,494 | 218,773 |
| TFL | 6,415 | 8,937 | 23,943 | 13,705 |
| All other | 9,134 | 9,008 | 28,950 | 31,280 |
| | $207,140 | $213,697 | $677,668 | $695,864 |
| Operating income (loss): | | | | |
| Americas | $ (3,187) | $ (3,907) | $ (24,579) | $ (8,686) |
| Asia | 6,920 | 11,303 | 19,957 | 41,504 |
| Europe | (2,170) | (1,376) | (1,086) | (2,338) |
| TFL | (275) | (307) | (14,847) | (734) |
| All other | 485 | (902) | 1,488 | 141 |
| Total Segment operating income (loss) | 1,773 | 4,811 | (19,067) | 29,887 |
| Corporate-level activity | (3,389) | (3,516) | (11,538) | (11,054) |
| Total operating income (loss) | $ (1,616) | $ 1,295 | $ (30,605) | $ 18,833 |
| Adjusted operating income: | | | | |
| Americas | $ (1,555) | $ (1,763) | $ (2,391) | $ (1,540) |
| Asia | 8,542 | 13,099 | 25,485 | 46,802 |
| Europe | (570) | 353 | 3,681 | 2,374 |
| TFL | (197) | (23) | (2,814) | (223) |
| All other | 958 | (427) | 2,944 | 1,599 |
| Total Segment Adjusted operating income | 7,178 | 11,239 | 26,905 | 49,012 |
| Corporate-level activity | (2,882) | (2,910) | (9,783) | (9,162) |
| Total Adjusted operating income | $ 4,296 | $ 8,329 | $ 17,122 | $ 39,850 |
| Adjusted operating income | $ 4,296 | $ 8,329 | $ 17,122 | $ 39,850 |
| Adjustments: | | | | |
| Depreciation | (4,128) | (4,217) | (12,321) | (12,668) |
| Amortization of intangible assets | (1,062) | (1,657) | (4,420) | (4,628) |
| Impairment of goodwill and intangible assets | — | — | (27,166) | — |
| Share-based compensation | (722) | (900) | (2,619) | (3,296) |
| Restructuring and other, net | — | (260) | (1,201) | (425) |
| Operating income (loss) | $ (1,616) | $ 1,295 | $ (30,605) | $ 18,833 |
| Other income (expense), net | (2,088) | (1,445) | (5,514) | (3,819) |
| Income tax expense | (1,331) | (942) | (3,772) | (4,997) |
| Income (loss) from discontinued operations | (91) | (2,334) | (239) | (2,319) |
| Net income (loss) | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,698 |

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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| | April 30, 2011 | July 31, 2010 |
|---|---|---|
| | (in thousands) | |
| Total assets of continuing operations: | | |
| Americas | $145,462 | $186,488 |
| Asia | 101,399 | 113,820 |
| Europe | 133,185 | 135,135 |
| TFL | 7,806 | 23,258 |
| All other | 24,806 | 27,738 |
| Sub-total | 412,658 | 486,439 |
| Corporate-level activity | 22,484 | 39,347 |
| | $435,142 | $525,786 |

As of April 30, 2011, approximately 61%, 16% and 23% of the Company’s long-lived assets were located in the Americas, Asia and Europe, respectively. As of July 31, 2010, approximately 72%, 13% and 15%, of the Company’s long-lived assets were located in the Americas, Asia and Europe, respectively. As of April 30, 2011, approximately, $10.4 million, $7.4 million, $6.2 million, $4.2 million and $3.3 million of the Company’s long-lived assets were located in Singapore, Ireland, the Netherlands, Czech Republic, and China, respectively. As of July 31, 2010, approximately, $10.1 million, $6.8 million, $5.6 million, $3.6 million and $3.6 million of the Company’s long-lived assets were located in Singapore, Ireland, the Netherlands, Czech Republic and China, respectively.

During the three and nine months ended April 30, 2011, the Company generated revenue of approximately $34.5 million and $105.5 million, respectively, in China and approximately $27.7 million and $95.6 million, respectively, in the Netherlands. During the three and nine months ended April 30, 2010, the Company generated revenue of approximately $38.3 million and $137.0 million, respectively, in China and approximately $28.5 million and $102.6 million, respectively, in the Netherlands.

## (10) EARNINGS PER SHARE

The Company calculates earnings per share in accordance with ASC Topic 260, “Earnings per Share.” Under ASC Topic 260-10, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. Certain of the Company’s restricted stock are considered participating securities because they contain non-forfeitable rights to dividend equivalents.

Under the two-class method, net income is reduced by the amount of dividends declared in the period for each class of common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. Basic earnings per share excludes dilution and is calculated by dividing net income allocable to common shares by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income allocable to common shares by the weighted-average number of common shares for the period, as adjusted for the potential dilutive effect of non-participating share-based awards. The following table reconciles earnings per share for the three and nine months ended April 30, 2011 and 2010.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| **BASIC** | | | | |
| Net income (loss) | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,698 |
| Less net income allocable to participating restricted stock | — | — | — | (68) |
| Net income (loss) available for basic common shares | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,630 |
| Weighted average common shares outstanding | 43,303 | 43,730 | 43,289 | 44,256 |
| Basic net income (loss) per common share | $ (0.12) | $ (0.08) | $ (0.93) | $ 0.17 |
| **DILUTED** | | | | |
| Net income (loss) | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,698 |
| Less net income allocable to participating restricted stock | — | — | — | (68) |
| Net income (loss) available for diluted common shares | $ (5,126) | $ (3,426) | $ (40,130) | $ 7,630 |
| Weighted average common shares outstanding | 43,303 | 43,730 | 43,289 | 44,256 |
| Weighted average common equivalent shares arising from: dilutive stock options | — | — | — | 151 |
| Weighted-average number of common and potential common shares | 43,303 | 43,730 | 43,289 | 44,408 |
| Diluted net income (loss) per common share | $ (0.12) | $ (0.08) | $ (0.93) | $ 0.17 |

For the three and nine months ended April 30, 2011, approximately 2.6 million and 2.4 million, respectively, common stock equivalent shares were excluded from the denominator in the calculation of diluted earnings per share as their inclusion would have been antidilutive.

For the three months ended April 30, 2010, approximately 2.1 million common stock equivalent shares were excluded from the denominator in the calculation of diluted earnings per share, as the Company had recorded a net loss for the three months ended April 30, 2010. For the nine months ended April 30, 2010, approximately 2.2 million common stock equivalent shares were excluded from the denominator in the calculation of diluted earnings per share as their inclusion would have been antidilutive.

## (11) COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss), net of income taxes, were as follows:

| | Three Months Ended April 30, | | Nine Months Ended April 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Net income (loss) | $(5,126) | $(3,426) | $(40,130) | $7,698 |
| Net unrealized holding gain (loss) on securities | (24) | 51 | (73) | 164 |
| Foreign currency translation adjustment | 7,605 | (67) | 14,121 | 1,085 |
| Comprehensive income (loss) | $ 2,455 | $(3,442) | $(26,082) | $8,947 |

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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The components of accumulated other comprehensive income was as follows:

| | April 30, 2011 | July 31, 2010 |
|---|---|---|
| | (in thousands) | |
| Net unrealized holding gains (losses) on securities | $ (26) | $ 47 |
| Cumulative foreign currency translation adjustment | 26,129 | 12,008 |
| Minimum pension liability adjustment | 2,182 | 2,182 |
| Accumulated other comprehensive income | $28,285 | $14,237 |

## (12) INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by both the moving average and the first-in, first-out methods. Materials that the Company typically procures on behalf of its clients that are included in inventory include materials such as compact discs, printed materials, manuals, labels, hardware accessories, hard disk drives, consumer packaging, shipping boxes and labels, power cords and cables for client-owned electronic devices.

Inventories consisted of the following:

| | April 30, 2011 | July 31, 2010 |
|---|---|---|
| | (in thousands) | |
| Raw materials | $57,109 | $49,591 |
| Work-in-process | 2,956 | 2,006 |
| Finished goods | 23,198 | 22,499 |
| | $83,263 | $74,096 |

## (13) CONTINGENCIES

From time to time, the Company may become involved in litigation relating to claims arising out of operations in the normal course of business, which it considers routine and incidental to its business. The Company currently is not a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on the Company's business, results of operation, or financial condition.

## (14) SHARE REPURCHASE PROGRAMS

In June 2010, the Company's Board of Directors authorized the repurchase of up to $10.0 million of the Company's common stock from time to time on the open market or in privately negotiated transactions over an eighteen month period, (the "June 2010 Repurchase Program"). The timing and amount of any shares repurchased was to be determined by the Company's management based on its evaluation of market conditions and other factors. Repurchases could also be made under a Rule 10b5-1 plan, which permit shares to be repurchased when the Company might otherwise be precluded from doing so under inside trading laws. The Company retired and returned repurchased shares to the Company's authorized, but not issued or outstanding common stock. The June 2010 Repurchase Program was funded using the Company's working capital. During the three months ended April 30, 2011, the Company did not repurchase any shares under the June 2010

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

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Repurchase Program. During the nine months ended April 30, 2011 the Company repurchased an aggregate of approximately 0.2 million shares at a cost of approximately $1.4 million under the June 2010 Repurchase Program. As of April 30, 2011, the Company had repurchased an aggregate of approximately 0.5 million shares at a cost of approximately $3.4 million under the June 2010 Repurchase Program.

In October 2010, the Company announced that it would increase the Company's commitment to capital distribution to stockholders to $40.0 million to return excess cash to stockholders during fiscal year 2011. During the three months ended April 30, 2011, the Company declared and paid a special dividend of $40.0 million in the aggregate, which was funded with available cash on hand and included amounts remaining under the June 2010 Repurchase Program. Accordingly, no further repurchases will be made under the June 2010 Repurchase Program.

In June 2009, the Company's Board of Directors authorized the repurchase of up to $15.0 million of the Company's common stock from time to time on the open market or in privately negotiated transactions over twelve month period (the "June 2009 Repurchase Program"), which was completed during the quarter ended April 30, 2010. The timing and amount of the shares repurchased was determined by the Company's management based on its evaluation of market conditions and other factors. Repurchases were also made under a Rule 10b5-1 plan, which permitted shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The Company retired and returned the repurchased shares to the Company's authorized, but not issued or outstanding common stock. The June 2009 Repurchase Program was funded using the Company's working capital. The Company repurchased an aggregate of approximately 1.8 million shares at a cost of approximately $15.0 million under the June 2009 Repurchase Program.

**(15) INCOME TAXES**

The Company operates in multiple taxing jurisdictions, both within and outside of the United States. As of April 30, 2011 and July 31, 2010, the liability for unrecognized tax benefits related to federal, state and foreign taxes was approximately $5.9 million and $5.8 million, respectively.

In accordance with the Company's accounting policy, interest related to unrecognized tax benefits is included in the provision of income taxes line of the Consolidated Statement of Operations. For the periods ended April 30, 2011 and July 31, 2010, the Company has not recognized any material interest expense related to uncertain tax positions. As of April 30, 2011 and July 31, 2010, the Company had recorded liabilities for interest expense related to uncertain tax positions in the amount of $0.1 million for both periods. The Company did not accrue for penalties related to income tax positions as there were no income tax positions that required the Company to accrue penalties. The Company does not expect that the amounts of unrecognized tax benefits will change significantly in the next twelve months. For the three months and nine months ended April 30, 2011, the Company was profitable in certain jurisdictions where the Company operates, resulting in an income tax expense using enacted rates in those jurisdictions.

The Company is subject to U.S. federal income tax and various state, local and international income taxes in numerous jurisdictions. The federal and state tax returns are generally subject to tax examinations for the tax years ended July 31, 2007 through July 31, 2010. In addition, a number of tax years remain subject to examination by the appropriate government agencies for certain countries in the Europe and Asia regions. In Europe, the Company's 2004 through 2010 tax years remain subject to examination in most locations, while the Company's 1999 through 2010 tax years remain subject to examination in most Asia locations.

MODUSLINK GLOBAL SOLUTIONS, INC. AND SUBSIDIARIES

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**(16) @VENTURES INVESTMENTS**

The Company maintains interests in several privately held companies primarily through its interests in two venture capital funds which invest as "@Ventures." The Company invests in early stage technology companies. These investments are generally made in connection with a round of financing with other third-party investors. During the three and nine months ended April 30, 2011, approximately $1.5 million and $2.5 million, respectively, was invested by @Ventures in three privately held companies. At April 30, 2011, the Company's carrying value of investments in privately held companies was approximately $14.1 million. During the nine months ended April 30, 2011 the Company recorded a $0.4 million impairment charge related to a certain investment in the @Ventures portfolio of companies. Investments in which the Company's interest is less than 20% and which are not classified as available-for-sale securities are carried at the lower of cost or net realizable value unless it is determined that the Company exercises significant influence over the investee company, in which case the equity method of accounting is used. For those investments in which the Company's voting interest is between 20% and 50%, the equity method of accounting is generally used. Under this method, the investment balance, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee company as they occur, limited to the extent of the Company's investment in, advances to and commitments for the investee. These adjustments are reflected in "Equity in losses of affiliates and impairments" in the Company's Consolidated Statement of Operations.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes and competition. The valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and the accuracy of the data may vary. Following the quarter ended April 30, 2011, the Company became aware that there may be indicators of impairment for certain investments. The Company is in process of completing its evaluation for impairment. The Company's evaluation will be completed during the fourth quarter of fiscal year 2011.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The matters discussed in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended that involve risks and uncertainties. All statements other than statements of historical information provided herein may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects" and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, those discussed in Part II—Item 1A below and elsewhere in this report and the risks discussed in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

***Overview***

ModusLink Global Solutions, Inc. (together with its consolidated subsidiaries, "ModusLink Global Solutions" or the "Company"), through its wholly owned subsidiaries, ModusLink Corporation ("ModusLink"), ModusLink PTS, Inc. ("ModusLink PTS") and Tech for Less, LLC ("TFL"), is a leader in global supply chain business process management serving technology-based clients in such markets as computing, software, consumer electronics, storage and communications. The Company designs and executes critical elements in our clients' global supply chains to improve speed to market, product customization, flexibility, cost, quality and service. These benefits are delivered through a combination of industry expertise, innovative service solutions, integrated operations, proven business processes, expansive global footprint and world class technology.

Management evaluates operating performance based on net revenue, operating income (loss), and net income (loss), and across its segments, on the basis of "adjusted operating income (loss)," which is defined as operating income (loss) excluding net charges related to depreciation, long-lived asset impairment, restructuring, amortization of intangible assets, share-based compensation and other charges not related to our baseline operating results. See Note 9 of the notes to the condensed consolidated financial statements included in Item 1 above for segment information, including a reconciliation of adjusted operating income (loss) to net income (loss).

We have developed a long-term set of strategic initiatives and an operating plan focused on increasing both revenue and profitability. We view the continued development of our global operational infrastructure and footprint as a primary source of differentiation in the market place. We believe that by leveraging our global footprint we will be able to optimize our clients' supply chains using multi-facility, multi-geographic solutions.

Our focus during fiscal 2011 remains consistent with the continued execution against our long-term strategic plan, and implementation of the following initiatives which are designed to achieve our long-term goals:

*Drive sales growth through a combination of existing client penetration, and targeting new markets.* Historically, a significant portion of our revenues from our supply chain business have been generated from clients in the computing and software markets. These markets are mature and, as a result, gross margins in these markets tend to be low. To address this, in addition to the computing and software markets, we have expanded our sales focus to include three markets, which we believe can benefit from our supply chain expertise. We believe these markets, communications, storage devices and consumer electronics, are experiencing faster growth than our historical markets, and represent opportunities to realize higher gross margins on our services. Companies in these markets often are early in their product life cycles and have significant need for a supply chain partner who will be an extension to their business models.

*Increase the value delivered to clients through service expansion.* During fiscal year 2011, we have continued to focus on and invest in expanding and further developing our e-commerce, aftermarket and certain other offerings, which we believe will increase the overall value of the supply chain solutions we deliver to our existing clients and to new clients. We expect these solutions will enhance our gross margins and drive profitability. Furthermore, we believe that the addition of new services to existing clients will strengthen our relationship with these clients, and further integrate us with their business.

*Drive operational efficiencies throughout our organization.* Our strategy is to operate an integrated supply chain system infrastructure that extends from front-end order management through distribution and returns management. This end-to-end solution enables clients to link supply and demand in real time, improve visibility and performance throughout the supply chain, and provide real-time access to information for greater collaboration and making informed business decisions. We believe that our clients benefit from our global integrated business solution. We also reduce our operating costs while implementing operational efficiencies throughout the Company. We expect that our lean sigma continuous improvement program will drive further operational efficiencies in the future. The lean sigma continuous improvement program is aimed at reducing our overall costs, increasing efficiencies and improving capacity utilization. The program consists of standardized training for the Company's employees in the lean sigma fundamentals (which include six sigma and "lean" methodology approaches) including standard tools to support the identification and elimination of waste and variability and applying these methods to operational and administrative tasks. As noted, the training enables employees to identify and implement projects to improve efficiency, productivity and eliminate waste through ongoing improvement efforts. We believe this initiative will yield improved process standardization and operating efficiency gains, as well as lower our long-term operating costs.

Among the key factors that will influence our performance are successful execution and implementation of our strategic initiatives, global economic conditions, especially in the technology sector, demand for our clients' products, the effect of form factor changes, technology changes, revenue mix and demand for outsourcing services.

For the three months ended April 30, 2011, the Company reported net revenue of $207.1 million, an operating loss of $1.6 million, a loss from continuing operations before income taxes of $3.7 million, a net loss of $5.1 million and a gross margin percentage of 9.8%. For the nine months ended April 30, 2011, the Company reported net revenue of $677.7 million, an operating loss of $30.6 million, a loss from continuing operations before income taxes of $36.1 million, a net loss of $40.1 million and a gross margin percentage of 9.7%. Net loss for the nine months ended April 30, 2011 reflects a $27.2 million impairment charge recorded for goodwill and intangible assets at ModusLink PTS and TFL and an impairment charge of $0.4 million recorded on a certain investment included in the @Ventures investment portfolio and a $4.0 million price concession. We currently conduct business in The Netherlands, Hungary, France, Ireland, Czech Republic, Singapore, Taiwan, China, Malaysia, Japan, Australia and Mexico in addition to our United States operations. At April 30, 2011, we had cash and cash equivalents and available-for-sale securities of $119.3 million, and working capital of $189.3 million.

As a large portion of our revenue comes from outsourcing services provided to clients such as hardware manufacturers, software publishers, telecommunications carriers, broadband and wireless service providers and consumer electronics companies, our operating performance has been and may be adversely affected by declines in the overall performance of the technology sector and the sustained economic uncertainty affecting the world economy. In addition, the drop in consumer demand for our clients' products has had and may continue to have the effect of reducing our volumes and adversely affecting our revenue performance. The market for our supply chain management services is very competitive. We also face pressure from our clients to continually realize efficiency gains in order to help our clients maintain their profitability objectives. Increased competition and client demands for efficiency improvements may result in price reductions, reduced gross margins and, in some cases, loss of market share. In addition, our profitability varies based on the types of services we provide and the regions in which we perform them. Therefore the mix of revenue derived from our various services and locations can impact on our gross margin results. Also, form factor changes, which we describe as the reduction in the amount of materials and product components used in our clients' completed packaged product, can also have the effect of reducing our revenue and gross margin opportunities. As a result of these competitive and client pressures the gross margins in our business are low. During the three and nine months ended April 30, 2011, our gross margin percentages were 9.8% and 9.7%, respectively. Increased competition arising from industry consolidation and/or low demand for our clients' products and services may hinder our ability to maintain or improve our gross margins, profitability and cash flows. We must continue to focus on margin improvement, through implementation of our strategic initiatives, cost reductions and asset and employee productivity gains in order to improve the profitability of our business and maintain our competitive position. We generally react to margin and pricing pressures in several ways, including efforts to target new markets, expand our service offerings, improve the efficiency of our processes and to lower our infrastructure costs. We seek to lower our cost to service clients by moving work to lower-cost venues, establishing facilities closer to our clients to gain efficiencies, and other actions designed to improve the productivity of our operations.

Historically, a limited number of key clients have accounted for a significant percentage of our revenue. For the three and nine months ended April 30, 2011, sales to Hewlett-Packard accounted for approximately 29% and 27%, respectively, of our consolidated net revenue, and sales to Advanced Micro Devices accounted for approximately 10% and 9%, respectively, of our consolidated net revenue. For the three and nine months ended April 30, 2010, sales to Hewlett-Packard accounted for approximately 31% and 29%, respectively, of our consolidated net revenue. We expect to continue to derive the vast majority of our operating revenue from sales to a small number of key clients. In general, we do not have agreements which obligate any client to buy a minimum amount of services from us or designate us as an exclusive service provider. Consequently, our sales are subject to demand variability by our clients. The level and timing of orders placed by our clients vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions.

***Basis of Presentation***

The Company has six operating segments: Americas; Asia; Europe; e-Business; ModusLink PTS and TFL. The Company has four reportable segments, Americas, Asia, Europe and TFL. The Company reports the ModusLink PTS operating segment in aggregation with the Americas operating segment as part of the Americas reportable segment. In addition to its four reportable segments, the Company reports an All other category. The All other category represents the e-Business operating segment. As of July 31, 2010, the Company's e-Business solutions operated within each of the Americas, Asia and Europe reportable segments. ModusLink OCS and TFL were each their own reportable segments as of July 31, 2010. On August 1, 2010 the Company merged ModusLink OCS with its e-Business solutions operations and the Company's reporting structure and reportable segments changed. All prior year segment information has been restated to reflect this change. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance which are not allocated to the Company's reportable segments and administration costs related to the Company's venture capital activities.

All significant intercompany transactions and balances have been eliminated in consolidation.

***Results of Operations***

*Three months ended April 30, 2011 compared to the three months ended April 30, 2010*

***Net Revenue:***

| | Three Months Ended April 30, 2011 | As a % of Total Net Revenue | Three Months Ended April 30, 2010 | As a % of Total Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 70,784 | 34.2% | $ 73,245 | 34.3% | $(2,461) | (3.4)% |
| Asia | 57,112 | 27.6% | 60,107 | 28.1% | (2,995) | (5.0)% |
| Europe | 63,695 | 30.7% | 62,400 | 29.2% | 1,295 | 2.1% |
| TFL | 6,415 | 3.1% | 8,937 | 4.2% | (2,522) | (28.2)% |
| All other | 9,134 | 4.4% | 9,008 | 4.2% | 126 | 1.4% |
| Total | $ 207,140 | 100.0% | $ 213,697 | 100.0% | $(6,557) | (3.1)% |

Net revenue decreased by approximately $6.6 million during the three months ended April 30, 2011, as compared to the same period in the prior year. This $6.6 million decrease was primarily a result of unfavorable pricing, form factor, and lower volumes from certain client programs, partially offset by new business and an estimated $2.6 million favorable impact from foreign currency translation. Approximately $123.1 million of the net revenue for the three months ended April 30, 2011 related to the procurement and re-sale of materials on behalf of our clients as compared to $121.4 million for the three months ended April 30, 2010.

During the three months ended April 30, 2011, net revenue in the Americas region decreased by approximately $2.5 million. This decrease resulted primarily from decreases in client order volumes. Within the Asia region, the net revenue decrease of approximately $3.0 million resulted from unfavorable pricing and form factor. Within the Europe region, net revenue increased by approximately $1.3 million primarily due to a favorable impact from foreign currency translation, partially offset by a decrease in revenues due to lower volumes. For TFL, net revenue decreased by approximately $2.5 million due to a decline in volume due to increased competition for the products TFL offers for sale.

A significant portion of our client base operates in the technology sector, which is intensely competitive and very volatile. Our clients' order volumes vary from quarter to quarter for a variety of reasons, including market acceptance of their new product introductions and overall demand for their products including seasonality factors. This business environment, and our mode of transacting business with our clients, does not lend itself to precise measurement of the amount and timing of future order volumes, and as a result, future consolidated and segment sales volumes and revenues could vary significantly from period to period. We sell primarily on a purchase order basis, rather than pursuant to contracts with minimum purchase requirements. These purchase orders are generally for quantities necessary to support near-term demand for our clients' products.

***Cost of Revenue:***

| | Three Months Ended April 30, 2011 | As a % of Segment Net Revenue | Three Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 69,674 | 98.4% | $ 71,924 | 98.2% | $(2,250) | (3.1)% |
| Asia | 44,009 | 77.1% | 43,528 | 72.4% | 481 | 1.1% |
| Europe | 60,137 | 94.4% | 58,136 | 93.2% | 2,001 | 3.4% |
| TFL | 5,691 | 88.7% | 7,407 | 82.9% | (1,716) | (23.2)% |
| All other | 7,395 | 81.0% | 7,877 | 87.4% | (482) | (6.1)% |
| Sub-total | 186,906 | 90.2% | 188,872 | 88.4% | (1,966) | (1.0)% |
| Corporate-level activity | — | — | 218 | — | (218) | (100.0)% |
| Total | $ 186,906 | 90.2% | $ 189,090 | 88.5% | $(2,184) | (1.2)% |

Cost of revenue consists primarily of expenses related to the cost of materials purchased in connection with the provision of supply chain management services as well as costs for salaries and benefits, contract labor, consulting, fulfillment and shipping, and applicable facilities costs. Cost of revenue decreased by approximately $2.2 million for the three months ended April 30, 2011, as compared to the three months ended April 30, 2010. Gross margins for the second quarter of fiscal 2011 were 9.8% as compared to 11.5% in the prior year quarter. This decrease is attributable to price pressure and adverse changes in geographical and product mix.

For the three months ended April 30, 2011, the Company’s gross margin percentages within the Americas, Asia and Europe regions were 1.6%, 22.9% and 5.6%, as compared to 1.8%, 27.6% and 6.8%, respectively, for the same period of the prior year. The decrease in gross margin within the Americas region is attributed to an adverse change in product mix. Within the Asia region, the decrease in gross margin is primarily attributed to price pressure and unfavorable product mix. Within the Europe region, the decrease of gross margin is attributed to decreased revenues and an unfavorable impact from foreign currency translation. Gross margin for TFL for the three months ended April 30, 2011 was 11.3 % compared with 17.1% in the prior year quarter. The decrease in gross margin is primarily attributed to adverse product mix and a decline in volumes during the three months ended April 30, 2011 compared to the prior year quarter.

As a result of the lower overall cost of delivering the Company’s services in the Asia region, particularly China, we expect gross margin levels in Asia to continue to exceed those earned in the Americas and Europe regions. However, we expect that there will continue to be pressure on gross margin levels in Asia as the market, particularly China, matures.

***Selling, General and Administrative Expenses:***

| | Three Months Ended April 30, 2011 | As a % of Segment Net Revenue | Three Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 3,898 | 5.5% | $ 4,495 | 6.1% | $ (597) | (13.3)% |
| Asia | 5,814 | 10.2% | 4,861 | 8.1% | 953 | 19.6% |
| Europe | 5,727 | 9.0% | 5,388 | 8.6% | 339 | 6.3% |
| TFL | 953 | 14.9% | 1,553 | 17.4% | (600) | (38.6)% |
| All other | 1,007 | 11.0% | 1,784 | 19.8% | (777) | (43.6)% |
| Sub-total | 17,399 | 8.4% | 18,081 | 8.5% | (682) | (3.8)% |
| Corporate-level activity | 3,389 | — | 3,314 | — | 75 | 2.3% |
| Total | $ 20,788 | 10.0% | $ 21,395 | 10.0% | $ (607) | (2.8)% |

Selling, general and administrative expenses consist primarily of compensation and employee-related costs, sales commissions and incentive plans, information technology expenses, travel expenses, facilities costs, consulting fees, fees for professional services, depreciation expense and marketing expenses. Selling, general and administrative expenses during the three months ended April 30, 2011 decreased by approximately $0.6 million compared to the three month period ended April 30, 2010, primarily as a result of a $0.5 million decline in employee-related costs, a $0.2 million decline in insurance costs and a $0.5 million decrease in other expenses, which were partially offset by a $0.2 million increase in recruiting fees. Also, for the three months ended April 30, 2010 there was a $0.4 million decrease in the fair value of the TFL earnout.

***Amortization of Intangible Assets:***

| | Three Months Ended April 30, 2011 | As a % of Segment Net Revenue | Three Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 399 | 0.6% | $ 757 | 1.0% | $ (358) | (47.3)% |
| Asia | 369 | 0.6% | 369 | 0.6% | — | — |
| Europe | — | — | — | — | — | — |
| TFL | 47 | 0.7% | 284 | 3.2% | (237) | (83.5)% |
| All other | 247 | 2.7% | 247 | 2.7% | — | — |
| Total | $ 1,062 | 0.5% | $ 1,657 | 0.8% | $ (595) | (35.9)% |

The intangible asset amortization relates to certain amortizable intangible assets acquired by the Company in connection with its acquisition of Modus Media, Inc., ModusLink OCS, ModusLink PTS and TFL. The $0.6 million decrease in amortization expense is due to the write-off of certain intangible assets during the second fiscal quarter ended January 31, 2011. The remaining intangible assets are being amortized over lives ranging from 1 to 4 years.

***Restructuring and Other, net:***

| | Three Months Ended April 30, 2011 | As a % of Segment Net Revenue | Three Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ — | — | $ (23) | — | $ 23 | 100.0% |
| Asia | — | — | 46 | 0.1% | (46) | (100.0)% |
| Europe | — | — | 252 | 0.4% | (252) | (100.0)% |
| TFL | — | — | — | — | — | — |
| All other | — | — | 1 | — | (1) | (100.0)% |
| Sub-total | $ — | — | $ 276 | 0.1% | (276) | (100.0)% |
| Corporate-level activity | — | — | (16) | — | 16 | 100.0% |
| Total | $ — | — | $ 260 | 0.1% | $ (260) | (100.0)% |

During the three months ended April 30, 2010, the Company recorded a net restructuring charge of approximately $0.3 million primarily due to a $0.2 million early termination payment of a lease in Budapest, Hungary, and changes in estimates for previously recorded employee-related expenses and facilities lease obligations primarily based on changes to the underlying assumptions.

***Interest Income/Expense:***

During the three months ended April 30, 2011 and 2010, interest income was $0.1 million for both periods.

During the three months ended April 30, 2011 and 2010, interest expense totaled approximately $0.1 million for both periods. In both periods, interest expense related primarily to the Company’s stadium obligation.

***Other Losses, net:***

Other losses, net were approximately $1.6 million for the three months ended April 30, 2011. During the three months ended April 30, 2011, the Company recorded foreign exchange losses of approximately $1.5 million. These net losses primarily related to realized and unrealized losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe. During the three months ended April 30, 2011, the Company recorded a gain of approximately $0.1 million related to the sale of available for sale securities. Also, during the three months ended April 30, 2011, the Company recorded a $0.1 million write-off of an investment in a private company, which has filed for bankruptcy.

Other gains (losses), net were a net loss of approximately $1.2 million for the three months ended April 30, 2010. During the three months ended April 30, 2010, the Company recorded foreign exchange losses of approximately $1.3 million due to realized and unrealized gains and losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe, and a $35,000 loss on the disposal of fixed assets. These losses were offset by a $0.2 million gain on the sale of investments. The $0.2 million gain was the result of acquisitions by third parties of M2E Power, Inc. and H2Gen Innovations, Inc.

***Equity in Losses of Affiliates and Impairments:***

Equity in losses of affiliates and impairments, results from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating income or losses is included in equity in losses of affiliates. Equity in losses of affiliates was $0.4 million and $0.2 million for the three months ended April 30, 2011 and 2010, respectively.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular investment's net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee's cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes and competition. The valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and the accuracy of the data may vary. Following the quarter ended April 30, 2011, the Company became aware that there may be indicators of impairment for certain investments. The Company is in process of completing its evaluation for impairment. The Company's evaluation will be completed during the fourth quarter of fiscal year 2011.

Estimating the net realizable value of investments in privately held early-stage technology companies is inherently subjective and has contributed to volatility in our reported results of operations in the past and may negatively impact our results of operations in the future. We may incur additional impairment charges to our investments in privately held companies, which could have an adverse impact on our future results of operations. A decline in the carrying value of our $14.1 million of investments in affiliates at April 30, 2011 ranging from 10% to 20%, respectively, would decrease our income from continuing operations by $1.4 million to $2.8 million.

***Income Tax Expense:***

During the three months ended April 30, 2011, the Company recorded income tax expense of approximately $1.3 million, as compared to income tax expense of $0.9 million for same period in the prior fiscal year. For the three months ended April 30, 2011, the Company was profitable in certain jurisdictions where the Company operates, resulting in an income tax expense using the enacted tax rates in those jurisdictions.

The Company provides for income tax expense related to federal, state, and foreign income taxes. For the three months ended April 30, 2011 and 2010, the Company's U.S. taxable income, and the taxable income for certain foreign locations, was offset by net operating loss carryovers from prior years. The Company continues to maintain a full valuation allowance against its deferred tax assets in the U.S. and certain of its foreign subsidiaries due to the uncertainty of realizing such benefits.

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***Discontinued Operations:***

During the three months ended April 30, 2011, the Company recorded a net loss from discontinued operations of approximately $0.1 million, as compared to a net loss of $2.3 million for same period in the prior fiscal year. The net loss from discontinued operations primarily relates to accretion of the liability related to a facility lease obligation.

***Results of Operations***

*Nine months ended April 30, 2011 compared to the nine months ended April 30, 2010*

***Net Revenue:***

| | Nine Months Ended April 30, 2011 | As a % of Total Net Revenue | Nine Months Ended April 30, 2010 | As a % of Total Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 227,877 | 33.6% | $ 228,910 | 32.9% | $ (1,033) | (0.5)% |
| Asia | 177,404 | 26.2% | 203,196 | 29.2% | (25,792) | (12.7)% |
| Europe | 219,494 | 32.4% | 218,773 | 31.4% | 721 | 0.3% |
| TFL | 23,943 | 3.5% | 13,705 | 2.0% | 10,238 | 74.7% |
| All other | 28,950 | 4.3% | 31,280 | 4.5% | (2,330) | (7.4)% |
| Total | $ 677,668 | 100.0% | $ 695,864 | 100.0% | $(18,196) | (2.6)% |

Net revenue decreased by approximately $18.2 million during the nine months ended April 30, 2011, as compared to the same period in the prior year. The $18.2 million decrease in net revenue was due to a decline in volumes and a non-recurring $4.0 million price concession for a certain client program which was recorded as a reduction of revenue and an unfavorable impact from foreign currency translation. These decreases were partially offset by an increase in new business revenue and incremental revenue from TFL, which was acquired in the second quarter of fiscal year 2010. Approximately $409.6 million of the net revenue for the nine months ended April 30, 2011 related to the procurement and re-sale of materials on behalf of our clients as compared to $396.7 million for the nine months ended April 30, 2010.

During the nine months ended April 30, 2011, net revenue in the Americas region decreased by approximately $1.0 million. This decrease resulted primarily from declines in certain client programs, partially offset by increases in client order volumes. Within the Asia region, the net revenue decrease of approximately $25.8 million resulted from a decrease in client order volumes, price concessions and an unfavorable impact from foreign currency translation. Within the Europe region, net revenue increased by approximately $0.7 million primarily due to new business, partially, offset by declines in client order volumes and an unfavorable impact from foreign currency translation. At TFL, net revenue increased during the nine months ended April 30, 2011 compared to the prior year period due to incremental net revenue from TFL, which was acquired during the second quarter of fiscal year 2010.

A significant portion of our client base operates in the technology sector, which is intensely competitive and very volatile. Our clients' order volumes vary from quarter to quarter for a variety of reasons, including market acceptance of their new product introductions and overall demand for their products including seasonality factors. This business environment, and our mode of transacting business with our clients, does not lend itself to precise measurement of the amount and timing of future order volumes, and as a result, future consolidated and segment sales volumes and revenues could vary significantly from period to period. We sell primarily on a purchase order basis, rather than pursuant to contracts with minimum purchase requirements. These purchase orders are generally for quantities necessary to support near-term demand for our clients' products.

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***Cost of Revenue:***

| | Nine Months Ended April 30, 2011 | As a % of Segment Net Revenue | Nine Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 222,360 | 97.6% | $ 220,506 | 96.3% | $ 1,854 | 0.8% |
| Asia | 138,466 | 78.1% | 143,871 | 70.8% | (5,405) | (3.8)% |
| Europe | 203,670 | 92.8% | 202,788 | 92.7% | 882 | 0.4% |
| TFL | 23,231 | 97.0% | 11,315 | 82.6% | 11,916 | 105.3% |
| All other | 23,962 | 82.8% | 25,010 | 80.0% | (1,048) | (4.2)% |
| Sub-total | 611,689 | 90.3% | 603,490 | 86.7% | 8,199 | 1.4% |
| Corporate-level activity | — | — | 218 | — | (218) | (100.0)% |
| Total | $ 611,689 | 90.3% | $ 603,708 | 86.8% | $ 7,981 | 1.3% |

Cost of revenue consists primarily of expenses related to the cost of materials purchased in connection with the provision of supply chain management services as well as costs for salaries and benefits, contract labor, consulting, fulfillment and shipping, and applicable facilities costs. Cost of revenue increased by approximately $8.0 million for the nine months ended April 30, 2011, as compared to the nine months ended April 30, 2010. Gross margins for the first nine months of fiscal year 2011 were 9.7% as compared to 13.2% in the first nine months of fiscal year 2010. This decrease is attributable to a non-recurring $4.0 million price concession, changes in geographical mix, customer mix and product mix associated with the levels of procurement and re-sale of materials on behalf of our clients combined with a $1.5 million increase in inventory related charges. Also, in the prior year there was a $1.8 million reversal of a liability due to satisfaction of conditions under a prior agreement which was not present during the nine months ended April 30, 2011.

For the nine months ended April 30, 2011, the Company’s gross margin percentages within the Americas, Asia and Europe regions were 2.4%, 21.9% and 7.2%, as compared to 3.7%, 29.2% and 7.3%, respectively, for the same period of the prior year. The decrease in gross margin within the Americas region is attributed to a change in product mix. Within the Asia region, the decrease in gross margin is primarily attributed to the non-recurring $4.0 million price concession and a decline in client volumes. Within the Europe region, gross margin was consistent with the prior year. Gross margin for TFL for the nine months ended April 30, 2011 was 3.0% compared with 17.4% in the prior year quarter. The decrease in gross margin is primarily attributed to a decline in client volumes, pricing and an increase in inventory related charges during the nine months ended April 30, 2011 compared to the prior year period.

As a result of the lower overall cost of delivering the Company’s services in the Asia region, particularly China, we expect gross margin levels in Asia to continue to exceed those earned in the Americas and Europe regions. However, we expect that there will continue to be pressure on gross margin levels in Asia as the market, particularly China, matures.

***Selling, General and Administrative Expenses:***

| | Nine Months Ended April 30, 2011 | As a % of Segment Net Revenue | Nine Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 11,687 | 5.1% | $ 14,413 | 6.3% | $(2,726) | (18.9)% |
| Asia | 17,287 | 9.7% | 16,718 | 8.2% | 569 | 3.4% |
| Europe | 16,904 | 7.7% | 18,284 | 8.4% | (1,380) | (7.5)% |
| TFL | 3,621 | 15.1% | 2,614 | 19.1% | 1,007 | 38.5% |
| All other | 2,760 | 9.5% | 5,387 | 17.2% | (2,627) | (48.8)% |
| Sub-total | 52,259 | 7.7% | 57,416 | 8.3% | (5,157) | (9.0)% |
| Corporate-level activity | 11,538 | — | 10,854 | — | 684 | 6.3% |
| Total | $ 63,797 | 9.4% | $ 68,270 | 9.8% | $(4,473) | (6.6)% |

Selling, general and administrative expenses consist primarily of compensation and employee-related costs, sales commissions and incentive plans, information technology expenses, travel expenses, facilities costs, consulting fees, fees for professional services, depreciation and marketing expenses. Selling, general and administrative expenses during the nine months ended April 30, 2011 decreased by approximately $4.5 million compared to the nine month period ended April 30, 2010, primarily as a result of a $3.3 million decline in employee-related costs, a $1.7 million decline in software development costs, a $0.4 million decline in franchise taxes, a $0.3 million decline in travel expenses, a $0.2 million decline in insurance expenses and a $0.7 million decline in other expenses. These decreases were partially offset by a $0.6 million increase in professional fees, a $0.2 million increase in recruiting fees and the inclusion of $1.3 million of incremental selling, general and administrative expenses for TFL, which was acquired during the second quarter of fiscal year 2010.

***Amortization of Intangible Assets:***

| | Nine Months Ended April 30, 2011 | As a % of Segment Net Revenue | Nine Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 1,911 | 0.8% | $ 2,268 | 1.0% | $ (357) | (15.7)% |
| Asia | 1,107 | 0.6% | 1,107 | 0.5% | — | — |
| Europe | — | — | — | — | — | — |
| TFL | 660 | 2.8% | 511 | 3.7% | 149 | 29.2% |
| All other | 742 | 2.6% | 742 | 2.4% | — | — |
| Total | $ 4,420 | 0.7% | $ 4,628 | 0.7% | $ (208) | (4.5)% |

The intangible asset amortization relates to certain amortizable intangible assets acquired by the Company in connection with its acquisition of Modus Media, Inc., ModusLink OCS, ModusLink PTS and TFL. The $0.2 million decrease in amortization expense is due to the write-off of certain intangible assets during the second fiscal quarter ended January 31, 2011. The remaining intangible assets are being amortized over lives ranging from 1 to 4 years.

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***Impairment of Goodwill and Intangible Assets:***

| | Nine Months Ended April 30, 2011 | As a % of Segment Net Revenue | Nine Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 15,889 | 7.0% | $ — | — | $15,889 | 100.0% |
| Asia | — | — | — | — | — | — |
| Europe | — | — | — | — | — | — |
| TFL | 11,277 | 47.1% | — | — | 11,277 | 100.0% |
| All other | — | — | — | — | — | — |
| Total | $ 27,166 | 4.0% | $ — | — | $27,166 | 100.0% |

The Company conducts its goodwill impairment test on July 31 of each fiscal year. In addition, if and when events or circumstances change that would reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. In making this assessment, the Company relies on a number of factors including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data. The Company’s reporting units are the same as the operating segments: Americas, Asia, Europe, e-Business, ModusLink PTS and TFL.

During the quarter ended January 31, 2011, indicators of potential impairment caused the Company to conduct an interim impairment test for goodwill and other long-lived assets, which includes amortizable intangible assets, for its ModusLink PTS and TFL reporting units in connection with the preparation of its quarterly financial statements for the quarter ended January 31, 2011. These indicators included continued operating losses, the departure of key personnel, and increasingly adverse trends that resulted in further deterioration of the current operating results and future prospects for both the ModusLink PTS and TFL reporting units. These adverse trends include increased competition for and a decline in the supply of quality products at a reasonable cost for TFL, pricing pressure from existing customers for ModusLink PTS, and the emergence and growth of new competitors for both ModusLink PTS and TFL.

As a result of the impairment test, the Company concluded that its goodwill was impaired as of January 31, 2011 and recorded a $13.2 million non-cash goodwill impairment charge, consisting of $7.1 million for ModusLink PTS and $6.1 million TFL during the quarter ended January 31, 2011. The Company also determined that its intangible assets were impaired and recorded a $14.0 million non-cash intangible asset impairment charge, consisting of $8.8 million for ModusLink PTS and $5.2 million for TFL during the quarter ended January 31, 2011. The goodwill and intangible asset impairment charges for ModusLink PTS are not deductible for tax purposes. The goodwill and intangible asset impairment charges for TFL are deductible as amortization for tax purposes over time. The impairment charge did not affect the Company’s liquidity or cash flows.

The estimated fair values of our reporting units for the goodwill impairment test were evaluated using an income approach by calculating the present value of estimated future cash flows. We believe the use of the income approach is appropriate due to lack of comparability to guideline companies and the lack of comparable transactions under the market approach. The income approach incorporates many assumptions including future growth rates, discount factors, expected capital expenditures and income tax cash flows. In developing an appropriate discount rate to apply in its estimated cash flow models, the Company developed an estimate of its weighted average cost of capital for ModusLink PTS and TFL.

While performing the interim goodwill impairment test, the Company lowered its forecast of revenue growth and gross profit margins for ModusLink PTS and TFL for fiscal years 2011 to 2018. Revenue growth rates and gross profit margins are the variables which have the most significant impact to the discounted cash flow models for these reporting units. The decline in our forecasts for ModusLink PTS and TFL is attributable to our consideration of the operating losses for these reporting units during the first half of fiscal year 2011, consideration of the impact that the departure of key personnel could have on our future operating results for these reporting units, and increasingly adverse trends that resulted in further deterioration of current and future operating results. The Company is currently implementing revised business strategies at both ModusLink PTS and TFL. However, for the purpose of the goodwill impairment test we have discounted any impact from these revised business strategies because they are in the early stages of implementation and any potential beneficial impact is highly uncertain at this point.

In connection with completing the goodwill impairment analysis the Company also evaluated the recoverability of its long-lived assets at the ModusLink PTS and TFL reporting units. The asset groups for both ModusLink PTS and TFL are at the reporting unit level. Recoverability of these asset groups is determined by comparing forecasted undiscounted net cash flows of the reporting units to their respective carrying values. If the asset group's cash flows are determined to be unable to recover the carrying amount of its net assets, then a loss is recognized equal to the amount by which the asset group's carrying value exceeds its fair value. The loss is then allocated amongst the long-lived assets based on their relative carrying amounts, with the exception that a loss allocated to an individual asset should not reduce the carrying amount of that asset below its fair value. Based upon this evaluation the Company determined that the estimated future undiscounted cash flows related to these asset groups were below their carrying values, and therefore these asset groups were impaired.

***Restructuring and Other, net:***

| | Nine Months Ended April 30, 2011 | As a % of Segment Net Revenue | Nine Months Ended April 30, 2010 | As a % of Segment Net Revenue | $ Change | % Change |
|---|---|---|---|---|---|---|
| | | | (in thousands) | | | |
| Americas | $ 608 | 0.3% | $ 409 | 0.2% | $ 199 | 48.7% |
| Asia | 586 | 0.3% | (5) | — | 591 | — |
| Europe | 6 | — | 39 | — | (33) | (84.6)% |
| TFL | — | — | — | — | — | — |
| All other | 1 | — | (2) | — | 3 | (150.0)% |
| Sub-total | $ 1,201 | 0.2% | $ 441 | 0.1% | 760 | 172.3% |
| Corporate-level activity | — | — | (16) | — | 16 | 100.0% |
| Total | $ 1,201 | 0.2% | $ 425 | 0.1% | $ 776 | 182.6% |

During the nine months ended April 30, 2011, the Company recorded a net restructuring charge of approximately $1.2 million. Of this amount, for the nine months ended April 30, 2011, approximately $1.1 million related to the workforce reduction of 55 employees in the Americas and Asia. For the nine months ended April 30, 2011 approximately $0.1 million of the recorded net restructuring charge related to changes in estimates for previously recorded facilities lease obligations primarily based on changes to the underlying assumptions.

During the nine months ended April 30, 2010, the Company recorded a net restructuring charge of approximately $0.4 million primarily due to a $0.2 million early termination payment of a lease in Budapest, Hungary, and changes in estimates for previously recorded employee-related expenses and facilities lease obligations primarily based on changes to the underlying assumptions.

***Interest Income/Expense:***

During the nine months ended April 30, 2011, interest income decreased to $0.2 million from $0.3 million for the nine months ended April 30, 2010. The decrease in interest income was the result of lower average interest rates and lower average cash balances during the current period compared to the same period in the prior fiscal year.

During the nine months ended April 30, 2011 and 2010, interest expense totaled approximately $0.4 million for both periods. In both periods, interest expense related primarily to the Company's stadium obligation.

***Other Losses, net:***

Other losses, net were approximately $3.9 million for the nine months ended April 30, 2011. During the nine months ended April 30, 2011, the Company recorded foreign exchange losses of approximately $3.5 million related to realized and unrealized losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe. During the nine months ended April 30, 2011, the Company recorded a gain of approximately $0.1 million related to the sale of available for sale securities. Also, during the nine months ended April 30, 2011, the Company recorded a $0.1 million write-off of an investment in a private company, which has filed for bankruptcy. Additionally, during the nine months ended April 30, 2011, the Company recorded gains of approximately $0.1 million related to distribution of proceeds from the acquisition by third parties of H2Gen Innovations, Inc. and M2E Power, Inc. due to the satisfaction of conditions leading to the release of funds held in escrow. H2Gen Innovations, Inc. and M2E Power, Inc. were @Ventures portfolio companies that were acquired by third parties in previous reporting periods.

Other gains (losses), net were a net loss of approximately $1.7 million for the nine months ended April 30, 2010. During the nine months ended April 30, 2010, the Company recorded foreign exchange losses of approximately $1.3 million due to realized and unrealized gains and losses from foreign currency exposures and settled transactions in the Americas, Asia and Europe and a $0.1 million loss on the disposal of fixed assets. These losses were offset by a $0.3 million gain on the sale of investments. The $0.3 million gain was the result of acquisitions by third parties of M2E Power, Inc. and H2Gen Innovations, Inc. and an adjustment to a previously recorded gain on the acquisition by a third party of Virtual Ink, Inc., due to the satisfaction of conditions leading to the release of funds held in escrow. Virtual Ink, Inc. was an @Ventures portfolio company that was acquired by a third party in a previous reporting period.

***Equity in Losses of Affiliates and Impairments:***

Equity in losses of affiliates and impairments, results from the Company’s minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company’s proportionate share of each affiliate’s operating income or losses is included in equity in losses of affiliates. Equity in losses of affiliates was $1.4 million and $1.9 million for the nine months ended April 30, 2011 and 2010, respectively. The Company recorded its proportionate share of the affiliates’ losses of $1.0 million and $1.6 million for the nine months ended April 30, 2011 and 2010, respectively. During the nine months ended April 30, 2011 and 2010, the Company also recorded impairment charges of $0.4 million and $0.3 million, respectively, on certain investments included in the @Ventures portfolio of companies.

The Company assesses the need to record impairment losses on its investments and records such losses when the impairment of an investment is determined to be other than temporary in nature. The process of assessing whether a particular investment’s net realizable value is less than its carrying cost requires a significant amount of judgment. In making this judgment, the Company carefully considers the investee’s cash position, projected cash flows (both short and long-term), financing needs, recent financing rounds, most recent valuation data, the current investing environment, management/ownership changes and competition. The valuation process is based primarily on information that the Company requests from these privately held companies and is not subject to the same disclosure and audit requirements as the reports required of U.S. public companies. As such, the reliability and the accuracy of the data may vary. Following the quarter ended April 30, 2011, the Company became aware that there may be indicators of impairment for certain investments. The Company is in process of completing its evaluation for impairment. The Company’s evaluation will be completed during the fourth quarter of fiscal year 2011.

During the nine months ended April 30, 2011, based on the Company’s evaluation, it recorded a $0.4 million impairment charge related to its investment in a privately held company. This impairment charge is included in “Equity in losses of affiliates and impairments” in the Company’s Consolidated Statement of Operations.

Estimating the net realizable value of investments in privately held early-stage technology companies is inherently subjective and has contributed to volatility in our reported results of operations in the past and may negatively impact our results of operations in the future. We may incur additional impairment charges to our investments in privately held companies, which could have an adverse impact on our future results of operations. A decline in the carrying value of our $14.1 million of investments in affiliates at April 30, 2011 ranging from 10% to 20%, respectively, would decrease our income from continuing operations by $1.4 million to $2.8 million.

***Income Tax Expense:***

During the nine months ended April 30, 2011, the Company recorded income tax expense of approximately $3.8 million, as compared to income tax expense of $5.0 million for same period in the prior fiscal year. For the nine months ended April 30, 2011, the Company was profitable in certain jurisdictions where the Company operates, resulting in an income tax expense using the enacted tax rates in those jurisdictions.

The Company provides for income tax expense related to federal, state, and foreign income taxes. For the nine months ended April 30, 2011 and 2010, the Company's U.S. taxable income, and the taxable income for certain foreign locations, was offset by net operating loss carryovers from prior years. The Company continues to maintain a full valuation allowance against its deferred tax assets in the U.S. and certain of its foreign subsidiaries due to the uncertainty of realizing such benefits.

***Discontinued Operations:***

During the nine months ended April 30, 2011, the Company recorded a net loss from discontinued operations of approximately $0.2 million, as compared to a net loss of $2.3 million for the same period in the prior fiscal year. The net loss from discontinued operations primarily relates to changes to previously recorded estimates for facility lease obligations due to changes in the underlying sublease assumptions.

***Liquidity and Capital Resources***

Historically, the Company has financed its operations and met its capital requirements primarily through funds generated from operations, the sale of our securities, returns generated by our venture capital investments and borrowings from lending institutions. As of April 30, 2011, the Company's primary sources of liquidity consisted of cash and cash equivalents of $119.1 million. In addition, on February 1, 2010 the Company and certain of its domestic subsidiaries entered into an Amended and Restated Credit Agreement and a Security Agreement (the "Credit Facility") with a bank syndicate. The Credit Facility provides a senior secured revolving credit facility up to an initial aggregate principal amount of $40.0 million and is secured by substantially all of the domestic assets of the Company. The Credit Facility permits the Company to increase the aggregate principal amount by an additional $20.0 million upon certain conditions being met. The Credit Facility terminates on February 1, 2013. Interest on the Credit Facility is based on the type of borrowing, at the base rate or the Eurodollar rate plus an applicable rate that varies from 1.25% for the base rate and 2.25% to 2.75% for the Eurodollar rate depending on the Company's consolidated leverage ratio. The Credit Facility includes certain restrictive financial covenants, which include a maximum consolidated leverage ratio, a minimum consolidated core cash flow leverage ratio and minimum global cash and restrictions that limit the ability of the Company, to among other things, create liens, incur additional indebtedness, make investments, or dispose of assets or property without prior approval from the lenders. The Credit Facility amended and restated the Second Amended and Restated Loan and Security Agreement, (the "Loan Agreement") dated October 31, 2005, as amended by and among ModusLink Corporation, SalesLink, LLC and SalesLink Mexico Holdings Corp., each a direct or indirect wholly owned subsidiary of the Company, with a bank syndicate, which expired January 31, 2010. On April 30, 2011, the Company did not have any debt outstanding and had letters of credit for $1.4 million outstanding under the Credit Facility.

In addition, the Company maintains an uncommitted credit facility of approximately $1.0 million in Taiwan. No amounts were outstanding under this facility at April 30, 2011. The Company's working capital at April 30, 2011 was approximately $189.3 million.

On March 7, 2011 the Company announced that its Board of Directors had declared a special dividend of $0.9134 per common share outstanding, or $40.0 million in aggregate, with a payment date of March 31, 2011 and a record date of March 17, 2011. The aggregate amount paid to stockholders through the special cash dividend was funded with available cash on hand.

Cash used in operating activities of continuing operations represents income (loss) from continuing operations as adjusted for non-cash items and changes in operating assets and liabilities. Net cash provided by operating activities of continuing operations was $0.3 million and $33.7 million for the nine months ended April 30, 2011 and 2010, respectively. The $33.4 million decrease in cash provided by operating activities of continuing operations for the nine months ended April 30, 2011 compared with the same period in the prior year was due to an $22.3 million decrease in income (loss) from continuing operations as adjusted for non-cash items and an $11.2 million decrease in cash resulting from changes in operating assets and liabilities. During the nine months ended April 30, 2011, non-cash items included depreciation expense of $12.3 million, impairment of goodwill and intangible assets of $27.2 million, share-based compensation of $2.6 million, amortization of intangible assets of $4.4 million, non-operating losses, net, of $3.9 million, and equity in losses of affiliates and impairments of $1.4 million.

During the nine months ended April 30, 2010, non-cash items included depreciation expense of $12.7 million, share-based compensation of $3.3 million, amortization of intangible assets of $4.6 million, non-operating losses, net, of $1.7 million, and equity in losses of affiliates and impairments of $1.9 million.

The Company believes that its cash flows related to operating activities of continuing operations are dependent on several factors, including increased profitability, effective inventory management practices, and optimization of the credit terms of certain vendors of the Company. Our cash flows from operations are also dependent on several factors including the overall performance of the technology sector and the market for outsourcing services, as discussed above in the "Overview" section.

Investing activities of continuing operations used cash of $8.8 million and $28.2 million for the nine months ended April 30, 2011 and 2010, respectively. The $8.8 million of cash used in investing activities during the nine months ended April 30, 2011 resulted primarily from $6.5 million in capital expenditures and $2.5 million of investments in affiliates, partially offset by $0.1 million in proceeds from the sale of available-for-sale securities. The $28.2 million of cash used in investing activities during the nine months ended April 30, 2010 resulted primarily from $29.6 million for the acquisition of TFL, $6.6 million in capital expenditures and $3.2 million of investments in affiliates. The use of cash was partially offset by $10.0 million of proceeds from the maturity of short-term investments and $1.1 million in proceeds from the sale of equity investments in affiliates. As of April 30, 2011, the Company had a carrying value of $14.1 million of investments in affiliates, which may be a potential source of future liquidity. However, the Company does not anticipate being dependent on liquidity from these investments to fund either its short-term or long-term operating activities.

Financing activities of continuing operations used cash of $41.5 million and $12.5 million for the nine months ended April 30, 2011 and 2010, respectively. The $41.5 million of cash used for financing activities of continuing operations during the nine months ended April 30, 2011 primarily related to a $40.0 million payment of a special dividend, $1.6 million of cash used to repurchase the Company's common stock and $40 thousand of capital lease repayments which were partially offset by $0.2 million of proceeds from the issuance of common stock. The $12.5 million of cash used for financing activities of continuing operations during the nine months ended April 30, 2010 primarily related to $11.5 million of cash used to repurchase the Company's common stock, $0.8 million of debt issuance costs related to the Credit Facility the Company entered into on February 1, 2010 and $0.4 million of capital lease repayments, which were partially offset by $0.2 million of proceeds from the issuance of common stock. The Company is not dependent on liquidity from its financing activities to fund either its short-term or long-term operating activities; however, we have utilized our revolving line of credit to meet operating requirements in the past.

Cash used for discontinued operations totaled $1.3 million and $1.2 million for the nine months ended April 30, 2011 and 2010, respectively, primarily for ongoing lease obligations.

Given the Company's cash resources as of April 30, 2011, the Company believes that it has sufficient working capital and liquidity to support its operations for at least the next 12 months. There are no material capital expenditure requirements as of April 30, 2011. However, should additional capital be needed to fund any future cash needs, investments or acquisition activities, the Company may seek to raise additional capital through offerings of the Company's stock, or through debt financing. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company, or at all.

***Off-Balance Sheet Arrangements***

The Company does not have any significant off-balance sheet arrangements.

***Contractual Obligations***

A summary of the Company's contractual obligations is included in the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2010. The Company's gross liability for unrecognized tax benefits was approximately $5.9 million and approximately $0.1 million of accrued interest and penalties as of April 30, 2011. The Company is unable to reasonably estimate the amount or timing of payments for the liability.

The Company agrees to indemnify its clients in the ordinary course of business. Typically, the Company agrees to indemnify its clients for losses caused by the Company. As of April 30, 2011, the Company had no recorded liabilities with respect to these arrangements.

In 1999, a subsidiary of the Company entered into a facility lease with a term ending in November 2006. The Company issued a guaranty in connection with this lease. The Company divested of its interest in the subsidiary in 2002. During the quarter ended October 31, 2006, the Company became aware that this lease had been amended to extend the lease term through November 2016 with cumulative base rent of approximately $16.0 million. The Company disputes that it has any ongoing liability under this guaranty.

The Company is also a party to litigation from time to time, which it considers routine and incidental to its business. Management does not expect the results of such routine and incidental matters to have a material adverse effect on the Company's business, results of operations or financial condition.

***Critical Accounting Policies***

The preparation of our quarterly financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, stock-based compensation expense, inventories, investments, income taxes, restructuring, impairment of long-lived assets, goodwill and other intangible assets, contingencies and litigation. Of the accounting estimates we routinely make relating to our critical accounting policies, those estimates made in the process of: preparing investment valuations; determining discounted cash flows for purposes of evaluating goodwill and intangible assets for impairment; determining future lease assumptions related to restructured facility lease obligations; and establishing income tax liabilities are the estimates most likely to have a material impact on our financial position and the results of operations. Some accounting policies may have a significant impact on amounts reported in these financial statements. During the three and nine months ended April 30, 2011, we believe that there have been no significant changes to the items that we disclosed as our critical accounting policies and estimates in the "Critical Accounting Policies" section of Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended July 31, 2010.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The Company is exposed to the impact of interest rate changes, foreign currency exchange rate fluctuations and changes in the market values of its investments. The carrying values of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and the revolving line of credit, approximate fair value because of the short-term nature of these instruments. The carrying value of capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. As a matter of policy, the Company does not enter into derivative financial instruments for trading purposes. Derivative positions would be used to reduce risk by hedging underlying economic or market exposure and would be valued at their fair value on our consolidated balance sheets and adjustments to fair value during the holding period would be recorded in the statement of operations.

***Interest Rate Risk***

At April 30, 2011, the Company had no outstanding borrowings under its Credit Facility with a bank syndicate and the Company had no open derivative positions with respect to its borrowing arrangements.

We maintain a portfolio of highly liquid cash equivalents typically maturing in three months or less as of the date of purchase. We place our investments in instruments that meet high credit quality standards, as specified in our investment policy and include corporate and state municipal obligations such as commercial paper, certificates of deposit and institutional money market funds.

Our exposure to market risk for changes in interest rates relates primarily to our investment in short-term investments. Our short-term investments are intended to establish a high-quality portfolio that preserves principal, meets liquidity needs, avoids inappropriate concentrations and delivers an appropriate yield in relationship to our investment guidelines and market conditions.

***Foreign Currency Risk***

The Company has operations in various countries and currencies throughout the world and its operating results and financial position are subject to exposure from significant fluctuations in foreign currency exchange rates. The Company has historically used derivative financial instruments on a limited basis, principally foreign currency exchange rate contracts, to minimize the transaction exposure that results from such fluctuations. As of April 30, 2011, the Company had one outstanding foreign currency exchange contract.

Revenues from our foreign operating segments accounted for approximately 58% and 59% of total revenues during the three and nine months ended April 30, 2011, respectively. A portion of our international sales made by our foreign business units in their respective countries is denominated in the local currency of each country. These business units also incur a portion of their expenses in the local currency.

Primary currencies include Euros, Singapore Dollars, Chinese Renminbi, Hungarian Forints, Czech Koruna, Taiwan Dollars, Japanese Yen, Australian Dollars, Malaysian Ringgits and Mexican Pesos. The income statements of our international operations are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currency-denominated transactions results in increased revenues and operating expenses for our international operations. Similarly, our revenues and operating expenses will decrease for our international operations when the U.S. dollar strengthens against foreign currencies. While we attempt to balance local currency revenue to local currency expenses to provide in effect a natural hedge, it is not always possible to completely reduce the foreign currency exchange rate risk due to competitive and other reasons.

The conversion of the foreign subsidiaries' financial statements into U.S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income (loss). For the three and nine months ended April 30, 2011, we recorded foreign currency translation gains of approximately $7.6 million and $14.1 million, respectively which are recorded within accumulated other comprehensive income in stockholders' equity in our condensed consolidated balance sheet. In addition, certain of our subsidiaries have assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a transaction gain or loss. For the three and nine months ended April 30, 2011, we recorded realized and unrealized foreign currency transaction losses of approximately $1.5 million and $3.5 million, respectively which are recorded in "Other gains (losses), net" in our consolidated statement of operations.

Our international business is subject to risks, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign currency exchange rate volatility when compared to the United States. Accordingly, our future results could be materially adversely impacted by changes in these or other factors. As exchange rates vary, our international financial results may vary from expectations and adversely impact our overall operating results.

## Item 4. Controls and Procedures.

***Disclosure Controls and Procedures.*** Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Internal Control Over Financial Reporting.*** There have been no changes in our internal control over financial reporting (as defined by Rule 13a-15(f)), that occurred during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II. OTHER INFORMATION

## Item 1. Legal Proceedings.

From time to time, we may become involved in litigation relating to claims arising out of operations in the normal course of business, which we consider routine and incidental to our business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, would have a material adverse effect on our business, results of operation or financial condition.

## Item 1A. Risk Factors.

There have not been any material changes from the risk factors previously disclosed in the "Item 1A. Risk Factors" of our Annual Report on Form 10-K, for the fiscal year ended July 31, 2010. In addition to the other information set forth in this report, including in the first paragraph under "Management's Discussion and

Analysis of Financial Condition and Results of Operation," you should carefully consider the factors discussed in our Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information about purchases by the Company of its common stock during the quarter ended April 30, 2011:

| Period | Total Number of Shares Repurchased (1) | Average Price Paid per Share | Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| February 1, 2011-February 28, 2011 | 61(2) | $ 6.76 | — | $ 6,614,769 |
| March 1, 2011-March 31, 2011 | — | — | — | — |
| April 1, 2011-April 30, 2011 | 61(2) | $ 5.21 | — | — |

(1) In June 2010, the Company authorized the repurchase of up to $10.0 million of its common stock from time to time on the open market or in privately negotiated transactions over an eighteen month period (the "Program"). The Company repurchased an aggregate of 526,114 shares of its common stock pursuant to the Program for approximately $3.4 million. See Note 14 of the notes to the condensed consolidated financial statements included in Item 1 above for information regarding, the Program, under which no further purchases will be made.

(2) Consists of 61 shares delivered to the Company as payment of tax liability upon the vesting of shares of restricted stock.

### Item 5. Other Information.

During the quarter ended April 30, 2011, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our most recent proxy statement.

### Item 6. Exhibits.

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with, or incorporated by reference in, this report.

**SIGNATURE**

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 thereunto duly authorized.

MODUSLINK GLOBAL SOLUTIONS, INC.

| | |
|---|---|
| Date: June 9, 2011 | By: /S/ STEVEN G. CRANE<br>**Steven G. Crane**<br>**Chief Financial Officer** |

## EXHIBIT INDEX

| | |
|---|---|
| 10.1 | First Amendment to Amended and Restated Credit Agreement, dated as of March 10, 2011 and effective as of January 31, 2011 by and among ModusLink Global Solutions, Inc., certain of its subsidiaries, Bank of America, N.A., Silicon Valley Bank and HSBC Bank USA, National Association. |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Chief Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

# FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

This **FIRST AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT** (this "Amendment") is dated as of March 10, 2011, but effective as of January 31, 2011 (the "First Amendment Effective Date"), and is entered into by and among **MODUSLINK GLOBAL SOLUTIONS, INC.**, a Delaware corporation ("Holdings"); each of the Domestic Subsidiaries of Holdings signatory hereto (together with Holdings, the "Borrowers"); **BANK OF AMERICA, N.A.**, as a Lender and the L/C Issuer; **SILICON VALLEY BANK**, as a Lender; and **HSBC BANK USA, NATIONAL ASSOCIATION**, as a Lender; and acknowledged and agreed to by **BANK OF AMERICA, N.A.**, in its capacity as Administrative Agent (the "Administrative Agent").

WHEREAS, the Borrowers, the Administrative Agent, the Lenders, and the L/C Issuer entered into that certain Amended and Restated Credit Agreement, dated as of February 1, 2010 (as such agreement may be amended, restated, or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders agree to amend certain provisions of the Credit Agreement as described herein, subject to the terms and conditions set forth herein; and

WHEREAS, the Borrowers, the Administrative Agent, and the Lenders have agreed to so amend the Credit Agreement as hereinafter set forth, in each case subject to the terms and conditions set forth herein.

NOW, THEREFORE, intending to be legally bound hereby and in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

## ARTICLE I

## DEFINITIONS

Initially capitalized terms used but not otherwise defined in this Amendment have the respective meanings set forth in the Credit Agreement, as amended hereby.

## ARTICLE II

## AMENDMENTS TO CREDIT AGREEMENT

2.01. **Consolidated EBITDA.** Effective as of the First Amendment Effective Date, Section 1.01 of the Credit Agreement is hereby amended by replacing the definition of "Consolidated EBITDA" contained therein with the following definition:

"Consolidated EBITDA" means, at any date of determination, an amount equal to Consolidated Net Income of the Borrowers and their Subsidiaries for the most recently completed Measurement Period plus (a) the following, without duplication, to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges, (ii) the provision for Federal, state, local and foreign income taxes payable, (iii) depreciation and amortization expense, (iv) all Net Non-Cash Restructuring Charges recognized by Borrowers and their Subsidiaries during such Measurement Period (to the extent calculations of the Net Non-Cash Restructuring Charges for such Measurement Period result in a positive number), (v) unrealized, non-cash foreign exchange losses, (vi) an amount equal to all non-cash goodwill impairment charges recognized by Borrowers and their Subsidiaries, (vii) adjustments for equity investments held by CMG@Ventures Entities or from impairment charges on Investments, (viii) non-cash stock compensation expenses; and (ix) non-cash intangible asset impairment charges recognized by Borrowers and their Subsidiaries; minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) Federal, state, local and foreign income tax credits, (ii) unrealized, non-cash foreign exchange gains, and (iii) adjustments for equity investments held by CMG@Ventures Entities or from gains on Investments.

2.02. **Loan Documents.** Effective as of the First Amendment Effective Date, Section 1.01 of the Credit Agreement is hereby amended by replacing the definition of "Loan Documents" contained therein with the following definition:

"Loan Documents" means, collectively, (a) this Agreement, (b) the Revolving Credit Notes, (c) the Collateral Documents, (d) each Issuer Document, and (e) the First Amendment.

2.03. **First Amendment.** Effective as of the First Amendment Effective Date, Section 1.01 of the Credit Agreement is hereby amended by inserting the following new term in the correct alphabetical order:

"First Amendment" means that certain First Amendment to Amended and Restated Credit Agreement by and among the Administrative Agent, the Lenders, the L/C Issuer, and the Borrowers dated as of March 10, 2011, but effective as of January 31, 2011.

2.04. **Compliance Certificate.** Effective as of the First Amendment Effective Date, Exhibit C of the Credit Agreement is hereby deleted in its entirety and replaced by Exhibit C attached hereto as Exhibit A.

## ARTICLE III

## REPRESENTATIONS AND WARRANTIES

Each Borrower hereby represents and warrants to the Administrative Agent and the Lenders, as of the date hereof and as of the First Amendment Effective Date, as follows:

3.01. **Representations and Warranties**. After giving effect to this Amendment, the representations and warranties set forth in the Credit Agreement, including without limitation those set forth in Article V thereof, and in each other Loan Document are true and correct on and as of the date hereof and on and as of the First Amendment Effective Date with the same effect as if made on and as of the date hereof and the First Amendment Effective Date, except to the extent such representations and warranties expressly relate solely to an earlier date. Each Borrower certifies, represents, and warrants to the Administrative Agent and the Lenders that the security interests granted to the Administrative Agent pursuant to the Collateral Documents are in full force and effect and constitute valid, perfected, first-priority security interests in the Collateral described therein.

3.02. **No Defaults.** After giving effect to this Amendment, each of the Borrowers is in compliance with all terms and conditions of the Credit Agreement and the other Loan Documents on its part to be observed and performed and no Default or Event of Default has occurred and is continuing.

3.03. **Authority and Pending Actions**. The execution, delivery, and performance by each Borrower of this Amendment has been duly authorized by each such Borrower and there is no action pending or any judgment, order, or decree in effect which is likely to restrain, prevent, or impose materially adverse conditions upon the performance by any Borrower of its obligations under the Credit Agreement or the other Loan Documents.

3.04. **Enforceability**. This Amendment constitutes the legal, valid, and binding obligation of each Borrower, enforceable against each such Borrower in accordance with its terms, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization, or other similar laws affecting the enforcement of creditors' rights or by the effect of general equitable principles.

3.05. **Breach; Conflicts**. The execution, delivery, and performance by each Borrower of this Amendment do not and will not conflict with, or constitute a violation or breach of, or result in the imposition of any Lien upon the property of such Borrower, by reason of the terms of (a) any contract, mortgage, lease, agreement, indenture, or instrument to which such Borrower is a party or which is binding upon it; (b) any Law with respect to such Borrower; or (c) the Organization Documents of such Borrower.

## ARTICLE IV

## CONDITIONS PRECEDENT

4.01. **Conditions Precedent.** The amendments contained in Article II shall not be binding upon the Administrative Agent and the Lenders until each of the following conditions precedent have been satisfied in form and substance satisfactory to the Administrative Agent:

(a) The Administrative Agent shall have received counterparts of this Amendment executed by the Borrowers, the Administrative Agent, the Lenders, and the L/C Issuer;

(b) All fees and expenses of the Administrative Agent, the Lenders, and the L/C Issuer (including without limitation all reasonable fees and expenses of counsel to the Administrative Agent), shall have been paid;

(c) The Administrative Agent shall have received certified copies of resolutions or other action, incumbency certificates, and/or other certificates of duly authorized officers of the Borrowers as the Administrative Agent may reasonably require evidencing the identity, authority, and capacity of each duly authorized officer authorized to act on behalf of the Borrowers in connection with this Amendment;

(d) The Administrative Agent shall have received such other documents, legal opinions, instruments, and certificates relating to this Amendment as it shall reasonably request and such other documents, legal opinions, instruments, and certificates that shall be satisfactory in form and substance to the Administrative Agent and the Lenders. All corporate proceedings taken or to be taken in connection with this Amendment and documents incidental thereto whether or not referred to herein shall be reasonably satisfactory in form and substance to the Administrative Agent and the Lenders; and

(e) All proceedings taken in connection with the transactions contemplated by this Amendment and all documentation and other legal matters incident thereto shall be satisfactory to the Administrative Agent in its sole and absolute discretion.

## ARTICLE V

## COSTS AND EXPENSES

Without limiting the terms and conditions of the Loan Documents, the Borrowers jointly and severally agree to pay on demand: (a) all reasonable costs and expenses incurred by the Administrative Agent in connection with the preparation, negotiation, and execution of this Amendment and the other Loan Documents executed pursuant to this Amendment and any and all subsequent amendments, modifications, and supplements to this Amendment, including without limitation, the reasonable costs and fees of the Administrative Agent's legal counsel; and (b) all reasonable costs and expenses reasonably incurred by the Administrative Agent in connection with the enforcement or preservation of any rights under the Credit Agreement, this Amendment, and/or the other Loan Documents, including without limitation, the reasonable costs and fees of the Administrative Agent's legal counsel.

## ARTICLE VI

## MISCELLANEOUS

6.01. **Instrument Pursuant to Credit Agreement.** This Amendment is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered, and applied in accordance with the terms and provisions of the Credit Agreement.

6.02. **Acknowledgment of the Borrowers.** Each Borrower hereby represents and warrants that the execution and delivery of this Amendment and compliance by such Borrower with all of the provisions of this Amendment: (a) are within the powers and purposes of such Borrower; (b) have been duly authorized or approved by the board of directors (or other appropriate governing body) of such Borrower; and (c) when executed and delivered by or on behalf of such Borrower will constitute valid and binding obligations of such Borrower, enforceable in accordance with its terms. Each Borrower reaffirms its obligation to pay all amounts due to the Administrative Agent, the Lenders, and the L/C Issuer under the Loan Documents (including, without limitation, its obligations under the Revolving Credit Notes) in accordance with the terms thereof, as amended and modified hereby.

6.03. **Entire Agreement.** This Amendment, together with all the other Loan Documents (collectively, the "Relevant Documents"), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other in relation to the subject matter hereof or thereof. None of the terms or conditions of this Amendment may be changed, modified, waived or canceled orally or otherwise, except in writing and in accordance with Section 10.01 of the Credit Agreement.

6.04. **Full Force and Effect of Agreement.** Except as hereby specifically amended, modified or supplemented, the Credit Agreement and all other Loan Documents are hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

6.05. **Counterparts.** This Amendment may be executed in any number of counterparts each of which when so executed and delivered shall be deemed an original, and it shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart executed by any party hereto. Without limiting the foregoing, the provisions of Section 10.10 of the Credit Agreement shall be applicable to this Amendment. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Amendment.

6.06. **Governing Law.** This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of Illinois applicable to contracts executed and to be performed entirely within such State, and, without limiting the generality of Section 6.01 hereof, the provisions of Sections 10.14 and 10.15 of the Credit Agreement are hereby incorporated by reference as if fully set forth herein.

6.07. **Enforceability.** Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

6.08. **References.** All references in any of the Loan Documents to the "Credit Agreement" shall mean the Credit Agreement, as amended hereby.

6.09. **Successors and Assigns.** This Amendment shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent, the Lenders, the L/C Issuer, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in Section 10.06 of the Credit Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the day and year first written above.

**BORROWERS:**

**MODUSLINK GLOBAL SOLUTIONS, INC.**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Executive Vice President, General Counsel and Secretary

**MODUSLINK CORPORATION**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Executive Vice President, General Counsel and Secretary

**MODUSLINK PTS, INC.**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Secretary

**SOL HOLDINGS, INC.**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Secretary

**MODUS MEDIA INTERNATIONAL (IRELAND) LIMITED**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Secretary

**TECH FOR LESS LLC**

By: /s/ Peter L. Gray
Name: Peter L. Gray
Title: Secretary

[Signatures continue on next page.]

**BANK OF AMERICA, N.A.,**
as a Lender and L/C Issuer

By: /s/ David Bacon
Name: David Bacon
Title: Senior Vice President

**SILICON VALLEY BANK,**
as a Lender

By: /s/ Larisa B. Chilton
Name: Larisa B. Chilton
Title: Director

**HSBC BANK USA, NATIONAL ASSOCIATION,**
as a Lender

By: /s/ Andrew Brown
Name: Andrew Brown
Title: Vice President

**ACKNOWLEDGED AND AGREED TO BY:**

**BANK OF AMERICA, N.A.,**
as Administrative Agent

By: /s/ Bozena Janociak
Name: Bozena Janociak
Title: Assistant Vice President

*EXHIBIT A*

**REPLACEMENT EXHIBIT C TO CREDIT AGREEMENT**

See attached.

*EXHIBIT C*

**FORM OF COMPLIANCE CERTIFICATE**

Financial Statement Date: __________ ____, 20____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement, dated as of February 1, 2010 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined), among MODUSLINK GLOBAL SOLUTIONS, INC., a Delaware corporation ("Holdings"), each of the Domestic Subsidiaries of Holdings signatory thereto (together with Holdings, the "Borrowers"), each lender from time to time party thereto (collectively, the "Lenders" and individually, a "Lender"), and BANK OF AMERICA, N.A., as Administrative Agent and L/C Issuer.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the **[chief executive officer / chief financial officer / treasurer / controller]** of Holdings, and that, as such, he/she is authorized to execute and deliver this Compliance Certificate to the Administrative Agent on the behalf of the Borrowers, and that:

*[Use following paragraph 1 for fiscal year-end financial statements]*

1. Holdings has delivered the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of Holdings ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for month-end financial statements for the months of October, January, and April]*

1. Holdings has delivered the unaudited financial statements required by Section 6.01(b) of the Agreement for the month ended as of the above date. Such consolidated financial statements fairly present the financial condition, results of operations and cash flows of Holdings and its Subsidiaries in accordance with Modified GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes to the effect that such statements are fairly stated in all material respects when considered in relation to the consolidated financial statements of Holdings and its Subsidiaries. Holdings has also delivered (i) internally prepared documentation sufficient to establish that all deviations from GAAP identified on such financial statements delivered pursuant to Section 6.01(b) in accordance with Modified GAAP have been conformed and/or modified to be in accordance with GAAP as of such fiscal quarter; (ii) a consolidating balance sheet of Holdings and its Subsidiaries as at the end of such fiscal quarter and the related consolidating statements of income or operations for such fiscal quarter and for the portion of Holdings' fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail, such consolidating statements to be certified by the chief executive officer, chief financial officer, treasurer or controller of Holdings to the effect that such statements are fairly stated in all material respects when considered in relation to the consolidated financial statements of Holdings and its Subsidiaries, and (iii) a statement of all consolidated cash balances maintained by Holdings and its Subsidiaries for each country.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrowers and their Subsidiaries during the accounting period covered by such financial statements.

3. A review of the activities of the Borrowers and their Subsidiaries during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrowers and their Subsidiaries (as applicable) performed and observed all their Obligations under the Loan Documents, and

*[select one:]*

[to the best knowledge of the undersigned, during such fiscal period each of the Borrowers and their Subsidiaries performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

*-or-*

[to the best knowledge of the undersigned, the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrowers contained in Article V of the Agreement and all representations and warranties of any Borrower that are contained in any document furnished at any time under or in connection with the Loan Documents, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsection (a) of Section 5.05 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to subsection (a) of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedules 1 and 2 attached hereto are true and accurate on and as of the date of this Compliance Certificate.

**[SIGNATURE PAGE FOLLOWS]**

*IN WITNESS WHEREOF,* the undersigned has executed this Compliance Certificate as of ____________ ____, 20____.

**MODUSLINK GLOBAL SOLUTIONS, INC.,** as the Borrower Agent

By: ______________________________
Name: ______________________________
Title: ______________________________

For the Month/Year ended ____________, ____ ("Statement Date")

SCHEDULE 1
to the Compliance Certificate
($ in 000's)

**I. Section 7.11(a) – Consolidated Leverage Ratio.**

A. Consolidated Funded Indebtedness at Statement Date $______

B. Consolidated EBITDA of the Borrowers and their Subsidiaries on a consolidated basis for Measurement Period ending on above date ("Subject Period") (including Consolidated EBITDA with respect to any newly-created or acquired Subsidiary calculated on a pro forma basis for such Measurement Period as if the acquisition had been consummated as of the first day of the Measurement Period):

1. Consolidated Net Income for Subject Period: $______
2. Consolidated Interest Charges for Subject Period: $______
3. Provision for income taxes for Subject Period: $______
4. Depreciation expenses for Subject Period: $______
5. Amortization expenses for Subject Period: $______
6. All Net Non-Cash Restructuring Charges recognized by Borrowers and their Subsidiaries during Subject Period (to the extent calculations of the Net Non-Cash Restructuring Charges for Subject Period result in a positive number): $______
7. Unrealized, non-cash foreign exchange losses for Subject Period: $______
8. An amount equal to all non-cash goodwill impairment charges recognized by Borrowers and their Subsidiaries for Subject Period: $______
9. Adjustments for equity investments held by CMG@Ventures Entities or from impairment charges on Investments for Subject Period: $______
10. Non-cash stock compensation expenses for Subject Period: $______
11. Non-cash intangible asset impairment charges recognized by Borrowers and their Subsidiaries for Subject Period: $______
12. Income tax credits for Subject Period: $______
13. Unrealized, non-cash foreign exchange gains for Subject Period: $______

14. Adjustments for equity investments held by CMG@Ventures Entities or from gains on Investments for Subject Period: $______

15. Consolidated EBITDA (Lines I.A.1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 – 12 – 13 – 14): $______

C. Consolidated Leverage Ratio (Line I.A ÷ Line I.B.15): ____ to 1.0

*Maximum permitted:* *2.0:1.0*

**II. Section 7.11(b)– Consolidated Core Cash Flow Coverage Ratio**

A. Consolidated EBITDA for Subject Period (Line I.B.15 above): $______

B. Rentals payable under leases of real or personal, or mixed, property, in each case as reflected on the Borrowers' income statements for Subject Period: $______

C. Consolidated Interest Charges for Subject Period: $______

D. The aggregate principal amount of all regularly scheduled principal payments or redemptions or similar acquisitions for value of outstanding debt for borrowed money, but excluding any such payments to the extent refinanced through the incurrence of additional Indebtedness otherwise expressly permitted under Section 7.02 of the Agreement for Subject Period: $______

E. Rentals paid under leases of real or personal, or mixed, property, in each case as reflected on the Borrowers' income statements for Subject Period: $______

F. Net Cash Restructuring Payments (to the extent that calculations of the Net Cash Restructuring Payments for Subject Period result in a positive number): $______

G. Consolidated Core Cash Flow Coverage Ratio (Line II.A + Line II.B) ÷ (Line II.C + Line II.D + Line II.E + Line II.F): ____ to 1.0

*Minimum required:* *1.5:1.0*

**III. Section 7.11(c)– Minimum Global Cash.** Balance of cash (as determined under GAAP), cash equivalents (as determined under GAAP), and Cash Equivalents as of Statement Date (on a consolidated basis): $______

*Minimum required:* *$60,000,000*

For the Quarter/Year ended ______________ ("Statement Date")

**SCHEDULE 2**
to the Compliance Certificate
($ in 000's)

**Consolidated EBITDA**
(in accordance with the definition of Consolidated EBITDA
as set forth in the Agreement)

| Consolidated EBITDA | Quarter Ended | Quarter Ended | Quarter Ended | Quarter Ended | Twelve Months Ended |
|---|---|---|---|---|---|
| Consolidated Net Income | | | | | |
| + Consolidated Interest Charges | | | | | |
| + income taxes | | | | | |
| + depreciation expense | | | | | |
| + amortization expense | | | | | |
| + Net Non-Cash Restructuring Charges (to the extent calculations of the Net Non-Cash Restructuring Charges for Subject Period result in a positive number) | | | | | |
| + unrealized, non-cash foreign exchange losses | | | | | |
| + non-cash goodwill impairment charges | | | | | |
| + adjustments for equity investments held by CMG@Ventures Entities or from impairment charges on Investments | | | | | |
| + Non-cash stock compensation expenses | | | | | |

| | |
|---|---|
| + | non-cash intangible asset impairment charges |
| – | income tax credits |
| – | unrealized, non-cash foreign exchange gains |
| – | adjustments for equity investments held by CMG@Ventures Entities or from gains on Investments |
| = | Consolidated EBITDA |

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph C. Lawler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ModusLink Global Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 9, 2011

By: /S/ JOSEPH C. LAWLER

**Joseph C. Lawler**
**Chairman, President and**
**Chief Executive Officer**

**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven G. Crane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ModusLink Global Solutions, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2011

By: /s/ STEVEN G. CRANE

**Steven G. Crane**
**Chief Financial Officer**

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ModusLink Global Solutions, Inc. (the "Company") for the fiscal quarter ended April 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Joseph C. Lawler, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 9, 2011

By: /s/ Joseph C. Lawler

**Joseph C. Lawler**
**Chairman, President and Chief Executive Officer**

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of ModusLink Global Solutions, Inc. (the "Company") for the fiscal quarter ended April 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Steven G. Crane, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 9, 2011

By: /S/ STEVEN G. CRANE

**Steven G. Crane**
**Chief Financial Officer**