

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

**FORM 10-K**

(Mark One)

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

For the Fiscal Year Ended July 31, 2024

**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: 001-35319



**Steel Connect, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

590 Madison Ave.  
32nd Floor  
New York, New York  
(Address of principal executive offices)

04-2921333  
(I.R.S. Employer  
Identification No.)

10022  
(Zip Code)

( 914 ) 461-1276

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	STCN	Nasdaq Capital Market

**Securities registered pursuant to Section 12(g) of the Act:**

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes  No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes  No

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes  No

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

The aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant computed by reference to the price at which the common stock was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter was \$ 36.3 million.

On October 23, 2024, the Registrant had 6,335,641 outstanding shares of common stock, \$0.01 par value.

#### DOCUMENTS INCORPORATED BY REFERENCE

Unless earlier included in an amendment to this Annual Report on Form 10-K, portions of the registrant's definitive proxy statement to be delivered to stockholders in connection with the Company's 2024 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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STEEL CONNECT, INC.

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As used in this Form 10-K (this "Report" or this "Form 10-K"), unless the context otherwise requires, the terms "we," "us," "our," "Steel Connect" and the "Company" refer to Steel Connect, Inc., a Delaware corporation, together with its consolidated subsidiaries.

All dollar amounts used in this Report are in thousands, except for common share and per common share data, unless otherwise indicated.

## **PART I**

### **FORWARD-LOOKING STATEMENTS**

This Report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, in particular, forward-looking statements under the headings "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." These statements appear in a number of places in this Report and include statements regarding the Company's intent, belief or current expectations with respect to (i) competition and trends in the markets in which the Company operates, (ii) the Company's liquidity and financial condition, including revenues, (iii) cybersecurity risks, threats and incidents, (iv) the impact of legal claims and related contingencies, and (v) expectations and estimates regarding certain tax and accounting matters, including the impact on our financial statements. The words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements; however, this Report also contains other forward-looking statements in addition to historical information. All statements other than statements of historical fact, including without limitation, those with respect to the Company's goals, plans, expectations and strategies set forth herein are forward-looking statements. The factors and uncertainties described in "Risk Factors" in Part I, Item 1A of this Report, among others, could cause actual results to differ materially from those described in these forward-looking statements.

### **ITEM 1.— BUSINESS**

Steel Connect, Inc. (the "Company") is a holding company which operates through its wholly-owned subsidiary, ModusLink Corporation ("ModusLink" or "Supply Chain"). The Company previously operated under the names ModusLink Global Solutions, Inc., CMGI, Inc. and CMG Information Services, Inc. and was incorporated in Delaware in 1986.

ModusLink is an end-to-end global supply chain solutions and e-commerce provider serving clients in markets such as consumer electronics, telecommunications, computing and storage, software and content, consumer packaged goods, health and personal care products, retail and luxury, and connected devices. ModusLink designs and executes critical elements in its 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, and integrated operations, proven business processes, an expansive global footprint and world-class technology. ModusLink also produces and licenses an entitlement management solution powered by its enterprise-class Poetic software, which offers a complete solution for activation, provisioning, entitlement subscription and data collection from physical goods (connected products) and digital products. ModusLink has an integrated network of strategically located facilities in various countries, including numerous sites throughout North America, Europe and Asia Pacific.

As of July 31, 2024, the Company had approximately 939 full-time employees and 322 part-time employees, worldwide.

#### *Steel Partners and Steel Connect Exchange Transaction*

On April 30, 2023, Steel Partners Holdings L.P. ("Steel Holdings") and the Company executed a series of agreements in which Steel Holdings and certain of its affiliates (the "Steel Partners Group") agreed to transfer certain marketable securities held by the Steel Partners Group to the Company in exchange for 3.5 million shares of Series E Convertible Preferred Stock of the Company (the "Series E Convertible Preferred Stock", and, such transfer and related transactions, the "Exchange Transaction"). Following the approval by the Company's stockholders on June 6, 2023, pursuant to the rules of the Nasdaq Capital Market, the Series E Convertible Preferred Stock is convertible into an aggregate of 19.8 million shares of the Company's common stock, par value \$0.01 per share (the "common stock" or "Common Stock"), and votes together with the Company's common stock and participates in any dividends paid on the Company's common stock, in each case on an as-converted basis. Conversion of the Series E Convertible Preferred Stock, when combined with the Steel Connect common stock, the 7.50% Convertible Senior Note (the "SPHG Note"), if converted, and the Steel Connect Series C Convertible Preferred Stock, also if converted, owned by the Steel Partners Group, would have resulted in the Steel Partners Group holding approximately 84.0% of the outstanding equity interests of the Company as of May 1, 2023. The exclusion of the if-converted shares of the SPHG Note would have resulted in the Steel Partners Group holding approximately 83.8% of the outstanding equity interests of the Company as of May 1, 2023.

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The Exchange Transaction closed on May 1, 2023, the date that the consideration was exchanged between the Company and Steel Holdings, and as of that date the Company became a consolidated subsidiary of Steel Holdings for financial statement purposes.

As of May 1, 2023, the Company elected pushdown accounting in which it used Steel Holdings' basis of accounting, which reflected the fair market value of the Company's assets and liabilities at the date of the Exchange Transaction. As a result, the Company has reflected the required pushdown accounting adjustments in its consolidated financial statements. Due to the application of pushdown accounting, the Company's consolidated financial statements and certain footnote disclosures include a black line division between the two distinct periods to indicate the application of two different bases of accounting, which may not be comparable, between the periods presented. The pre-exchange period through April 30, 2023 is referred to as the "Predecessor" period. The post-exchange period, May 1, 2023 and onward, includes the impact of pushdown accounting and is referred to as the "Successor" period. See Note 1 - "Nature of Operations" and Note 3 - "Exchange Transaction" to the consolidated financial statements in Part II, Item 8 of this Annual Report for further information regarding the Exchange Transaction and our application of pushdown accounting.

As of July 31, 2024, the Steel Partners Group beneficially owned approximately 89.7% of our outstanding capital stock, including the if-converted value of the SPHG Note and shares of Series C Convertible Preferred Stock and Series E Convertible Preferred Stock that vote on an as-converted basis together with our Common Stock. The exclusion of the if-converted value of the SPHG Note would have resulted in the Steel Partners Group holding approximately 89.5% of our outstanding capital stock.

### **ModusLink's Services**

ModusLink's revenue primarily comes from sales of adaptive supply chain services to its clients. Among ModusLink's core supply chain services are packaging, kitting & assembly, fulfillment, digital commerce and reverse logistics.

*Packaging, Kitting & Assembly*—These services center on developing and executing a strategy that has product configuration and packaging done at the optimal time, and for the greatest strategic benefit. With sites located in the Americas, the Asia-Pacific region and Europe, ModusLink affords manufacturers just-in-time flexibility. Options with this service include the ability to delay product/order configuration until the order fulfillment stage, and using the facilities closest to a client's customers. In addition, ModusLink's light manufacturing services cover the final assembly of components and parts into finished goods, including build-to-order customization. ModusLink also offers additional value-added processes such as product testing, radio frequency identification tagging, product or service activation, language settings, personalization, and engraving and multi-channel packaging and packaging design.

*Fulfillment*—ModusLink's Fulfillment Services are highly integrated and supported by a best-of-breed technology infrastructure to enable clients to quickly increase efficiency and reduce costs. It has deep experience and is exceptionally skilled at handling the fulfillment requirements of multiple channels, be they manufacturing sites, distribution centers, retail operations or individual consumers dispersed across the globe. ModusLink is equally strong in adapting to the needs of retail/business-to-business ("B2B") or business-to-consumer ("B2C") product movement with respect to bringing product to market, including order management, pick, pack and ship, retail compliance and demand planning services, which are integral components of ModusLink's Fulfillment Services. In addition, ModusLink can help optimize component and finished goods inventory levels for better efficiency and cost savings. Clients also look to ModusLink for the physical programming of digital content—such as software, firmware, upgrades or promotional material—onto numerous types of flash media, including SD and MicroSD cards, USB drives, navigation systems, smartphones and tablets. This programming includes content protection and activation options, as well as full IP security. As direct-to-consumer volumes increase, ModusLink is able to provide a customer experience that can further enhance a brand's relationship with consumers.

*Digital Commerce*—ModusLink's Digital Commerce Services are based on ModusLink's cloud-based e-commerce order orchestration and payment platform. These e-Business services remove the complexities and risk of operating global web stores so that products can be quickly and easily purchased, serviced and delivered anywhere in the world. This end-to-end approach is fully integrated with global payment, customer relationship management ("CRM") and fulfillment systems, helping clients to quickly and easily expand into a new region and country. By leveraging ModusLink's e-commerce platform, clients can better meet revenue goals, drive growth and build their brands around the globe. The e-commerce platform provides clients with a single, comprehensive view of their customers at every stage of their relationships. By being able to adapt to their digital commerce and supply chain needs, ModusLink can help clients reach new markets, optimize order processing and customer service, reduce costs, and increase margins and flexibility without having to invest in their own infrastructure and personnel.

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*Reverse Logistics*—ModusLink's Reverse Logistics Services simplify the returns process for retailers and manufacturers that want to improve service parts management and the value of returned assets. ModusLink manages the end-to-end process, including receipt, return merchandise authorization ("RMA"), sorting, triage, credit processing and ultimate disposition of the returned product. Its approach to reverse logistics employs a modular global system that combines existing and new supply chain solutions, so clients can gain actionable insight into their reverse supply chains, which leads to reduced costs and increased customer service and satisfaction levels.

ModusLink's business solutions integrate with other supply chain service providers such as contract manufacturing companies and transportation providers.

### **Reportable Segment**

The Company has one reportable segment: Supply Chain. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal, finance, share-based compensation and acquisition costs which are not allocated to the Company's reportable segment. The Corporate-level balance sheet information includes cash and cash equivalents, investments, debt, and other assets and liabilities which are not identifiable to the operations of the Company's reportable segment. Certain reportable segment information, including revenue, profit (loss) and asset information, is set forth in Note 23 - "Segment Information" of the accompanying notes to consolidated financial statements included in Part II, Item 8 in this Report and in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

### **Technology Infrastructure**

ModusLink's Information Technology systems and infrastructure serve as the backbone of a client's fully integrated global supply chain services and information. ModusLink offers a secure and redundant operating environment to ensure the integrity and privacy of its clients' data. ModusLink works with clients to meet their business needs by integrating data, and applications to deliver an optimized solution. ModusLink's ERP system is designed to provide the visibility and control needed for better decision making, rapid response to global market dynamics and effective asset utilization across services and geographies.

### **Competition**

The market for the supply chain management service offerings provided by ModusLink is highly competitive. As a provider with service offerings covering a range of supply chain operations and activities across the globe, ModusLink competes with different companies depending on the type of service it is providing or the geographic area in which an activity is taking place. ModusLink faces competition from Electronics Manufacturing Services/Contract Manufacturers (EMS/CM), third party logistics (3PL) providers, Supply Chain Management (SCM) companies and regional specialty companies. For certain digital commerce services, ModusLink's competition includes global outsource providers, software as a service (SaaS) providers, technology providers and computer software providers offering content and document management solutions. As a provider of an outsourcing solution, ModusLink's competition also includes current and prospective clients, who evaluate ModusLink's capabilities in light of their own capabilities and cost structures.

The Company believes that the principal competitive factors in its market are quality and range of solutions and services, technological capabilities, costs, location of facilities, responsiveness and adaptability. With ModusLink's set of supply chain services, global footprint, strong client service acumen and its integrated global supply chain digital commerce services, the Company believes that it is well positioned to compete in each of the markets it serves, while expanding across various industry subsets. For more information, see "Item 1A. Risk Factors—Risks Related to Our Business, Operations and Industry—Our business is subject to intense competition."

### **Clients**

A limited number of clients account for a significant percentage of the Company's consolidated net revenue. For the fiscal years ended July 31, 2024 and 2023, the Company's 10 largest clients accounted for approximately 81% and 83% of consolidated net revenue, respectively. Two clients accounted for 38% and 15% of the Company's consolidated net revenue for the fiscal years ended July 31, 2024, and two clients accounted for 41% and 13% of the Company's consolidated net revenue for the fiscal year ended July 31, 2023. No other clients accounted for greater than 10% of the Company's consolidated net revenue for the fiscal years ended July 31, 2024 and 2023. In general, the Company does not have many agreements which obligate any client to buy a material amount of services from the Company, or which designate the Company as its sole supplier of any particular services. The Company sells its services to its clients primarily on a purchase order basis, which is subject to demand variability. As such, the loss of a significant amount of business or program with any key client could have a material adverse

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effect on the Company. The Company believes that it will continue to derive a majority of its consolidated operating revenue from sales to a small number of clients.

There can be no assurance that revenue from key clients will not decline in future periods.

### **Resources**

The Company purchases and maintains adequate levels of inventory in order to meet client needs on a timely basis. The Company has no guaranteed price, quantity or delivery agreements with its suppliers. Because of the diversity of its services, as well as the wide geographic dispersion of its facilities, the Company uses numerous sources for the wide variety of raw materials needed for its operations.

### **International Operations**

In addition to its North American operations, ModusLink conducts business in several countries, including Mainland China, the Czech Republic, the Netherlands, Singapore, Ireland, Australia, and Mexico among others. During the years ended July 31, 2024 and 2023, net revenues from our foreign operations accounted for approximately 77% and 75% of total net revenues, respectively.

The Company's international operations increase its exposure to U.S. and foreign laws, regulations and labor practices, which are often complex and subject to variation and unexpected changes with which the Company must comply. A substantial portion of our international business is conducted in Mainland China, where we face: (i) the challenge of navigating a complex set of licensing and tax requirements and restrictions affecting the conduct of business in Mainland China by foreign companies, (ii) potential limitations on the repatriation of cash, (iii) and foreign currency fluctuation. For more information, see "Item 1A. Risk Factors—Risks Related to Our Business, Operations and Industry—We conduct business outside of the U.S., which exposes the Company to additional risks not typically associated with companies that operate solely within the U.S."

### **Our Information**

Under the Exchange Act, we are required to file with or furnish to the Securities and Exchange Commission ("SEC") annual, quarterly and current reports, proxy and information statements and other information. The SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The Company's shares of common stock are listed on the Nasdaq Capital Market under the symbol "STCN." Our business address is 590 Madison Ave., 32nd Floor, New York, New York 10022, and our telephone number is (914) 461-1276. The Company's internet website is [www.steelconnectinc.com](http://www.steelconnectinc.com). The Company makes available, free of charge, through its Internet website, the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Forms 3, 4 and 5 filed by directors and officers, and amendments to those reports, as soon as reasonably practicable after such materials are filed with, or furnished to, the SEC. The Company may use its website as a distribution channel of material company information. Financial and other important information regarding the Company is routinely posted on and accessible through the Company's website. Information contained on the Company's website is not included as part of, or incorporated by reference into, this Report.

### **ITEM 1A.— RISK FACTORS**

Our business is subject to a number of risks. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this Report, before you decide whether to purchase our common stock. These factors are not intended to represent a complete list of the general or specific risks that may affect us. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect us to a greater extent than indicated. If any of the following risks occur, our business, financial condition and results of operations could be materially adversely affected. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment.

#### **RISKS RELATED TO OUR BUSINESS, OPERATIONS AND INDUSTRY**

***Changes in our relationships with significant clients, including the loss or reduction in business from one or more of them, could have a material adverse impact on our business.***

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We depend on a small number of clients for a substantial portion of our business. For the fiscal years ended July 31, 2024 and 2023, the Company's 10 largest clients accounted for approximately 81% and 83% of consolidated net revenue, respectively. Two customers accounted for approximately 38% and 15% of the Company's consolidated net revenue for the fiscal year ended July 31, 2024, and two customers accounted for 41% and 13% of the Company's consolidated net revenue for the fiscal year ended July 31, 2023. No other clients accounted for greater than 10% of the Company's consolidated net revenue for the fiscal years ended July 31, 2024 and 2023.

In general, the Company does not have any agreements which obligate any client to buy a material amount of services from it or designate it as an exclusive service provider. Consequently, the Company's net revenue is subject to demand variability by our clients. The level and timing of orders placed by the Company's clients vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. Decreases in client demand or volumes or loss of business from one or more of these clients could have a materially adverse impact on our business, financial condition or results from operations. If we are unable to anticipate and respond to the demands of our clients, we may lose clients because we have an inadequate supply of their products or insufficient capacity at our sites, or alternatively, we may have excess inventory or excess capacity, either of which may have a materially adverse effect on our business, financial position, and operating results. Changes in relationships with significant clients may require us to evaluate our other long-lived assets for impairment, which may require us to record an impairment charge. For more information, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates."

***Our operating results may fluctuate due to a number of factors, many of which are beyond our control, causing volatility in the price of our common stock.***

Our annual and quarterly operating results have fluctuated widely during the last several years and may continue to fluctuate due to a number of factors, including:

- how well we execute on our overall strategy and operating plans;
- implementation of our strategic initiatives and achievement of expected results of these initiatives;
- demand for our services;
- consumer confidence and demand;
- specific economic conditions in the industries in which we compete;
- competitive disruptions or innovations affecting the services or products we provide;
- general economic and financial market conditions, such as interest rates, the impacts of inflation, slower growth or a recession;
- timing of new product introductions or software releases by our clients or their competitors;
- payment of costs associated with our acquisitions, sales of assets and investments;
- market acceptance of new products and services;
- seasonality;
- temporary shortages in supply from vendors;
- charges for impairment of long-lived assets, including restructuring in future periods;
- political instability, including changes in tariff laws or natural disasters in the countries in which we operate;
- actual events, circumstances, outcomes and amounts differing from judgments, assumptions and estimates reflected in our accompanying consolidated financial statements;
- changes in accounting rules;
- changes in laws and policies affecting trade and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- changes in labor laws;
- availability of labor resources and the variability of available rates for labor resources;
- unionization of our labor and contract labor; and
- implementation of automation.

We believe that period-to-period comparisons of our results of operations will not necessarily be meaningful or indicative of our future performance. In some fiscal quarters, our operating results may be below the expectations of securities analysts and investors, which may cause the price of our common stock to decline, severely impairing or eliminating the value of your investment. In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. Technical factors in the public trading market for our common stock may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock and any related hedging or other technical trading factors. In the past, following periods of volatility in the market price of a company's securities, securities class action

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litigation has often been instituted against that company. If we were to become involved in securities litigation in the future, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business, results of operations, financial condition and cash flows and may cause a significant increase in the premium paid for our directors and officers insurance.

***If the demand for supply chain management services declines, or if we are unable to or do not effectively integrate new or emerging marketing industry trends into our services and offerings, our revenue and results of operations could be adversely affected.***

Customer traffic and demand for our supply chain management services may be influenced by changing consumer demands and industry trends. Some of our competitors may expend more for their marketing programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Furthermore, we may not effectively develop or implement strategies with respect to rapidly evolving industry trends, including outsourcing supply chain management services, among other business practices. If our marketing efforts are not as successful or cost-effective as anticipated, our revenue and results of operations could be adversely affected.

***We may have difficulty sustaining operating profitability, and if that depletes our working capital balances, our business could be materially and adversely affected.***

For the fiscal years ended July 31, 2024 and 2023, we reported an operating income of \$7.5 million and \$8.4 million, respectively. We anticipate that we will continue to incur significant fixed operating expenses in the future within both cost of revenue and selling, general and administrative expenses. Therefore, since our revenue is subject to fluctuations, there can be no assurance that we will sustain operating income in the future. We may also use significant amounts of cash in an effort to increase the efficiency and profitability of our business. If we are unable to achieve or sustain operating profitability, we risk depleting our working capital balances, and our business could be materially adversely affected.

***Because most of our contracts do not contain minimum purchase requirements and we sell primarily on a purchase order basis, we are subject to uncertainties and variability in demand by clients, which could materially decrease revenue and adversely affect our financial results.***

Our contracts generally do not include minimum purchase requirements, and we sell primarily on a purchase order basis. Therefore, our sales are subject to unpredictable variability by our clients and have fluctuated historically. These fluctuations may continue, sometimes materially, from year to year and even from quarter to quarter. The level and timing of orders placed by these clients vary for a variety of reasons, including seasonal buying by end-users of Supply Chain customers, as well as individual client strategies, the introduction of new technologies, the desire of our clients to reduce their exposure to any single supplier and general economic conditions impacting our Supply Chain segment. If we are unable to anticipate and respond to the demands of our clients, we may lose clients because we have an inadequate supply of their products or insufficient capacity at our sites, or alternatively, we may have excess inventory or excess capacity, either of which may have a materially adverse effect on our business, financial position and operating results.

***Our business is subject to intense competition.***

The markets for our services are highly competitive and often lack significant barriers to entry, enabling new businesses to enter these markets relatively easily. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with our offerings. The market for supply chain management products and services is very competitive, and the intensity of the competition is expected to continue to increase. For more information, see "Item 1. Business—Competition." Any failure to maintain and enhance our competitive position would limit our ability to maintain and increase market share, which could result in serious harm to our business. Increased competition may also result in price reductions, reduced gross margins and loss of market share. In addition, many of our current and potential competitors will continue to have greater financial, technical, operational and marketing resources. We may not be able to compete successfully against these competitors. Competitive pressures may also force prices for our products and services down, and these price reductions may reduce our revenue. The competition we face may also increase as a result of consolidation within the supply chain management and logistics industry. For example, if as a result of consolidation, our competitors are able to obtain more favorable terms from their suppliers, offer more comprehensive services to their customers, or otherwise take actions that increase their competitive strengths, our competitive position and therefore our business, results of operations, financial condition, and cash flows may be materially adversely affected.

***A decline in our key business sectors or a reduction in consumer demand generally could have a materially adverse effect on our business.***

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A large portion of our revenue comes from clients in the technology and consumer products sectors, which is intensely competitive and subject to rapid changes. A reduction or interruption in supply, including disruptions to our global supply chain as a result of a pandemic or a significant natural disaster (including as a result of climate change) or otherwise, a failure to appropriately cancel, reschedule, or adjust our requirements based on our business needs, or a decrease in demand for our services could materially adversely affect our business, operating results, and financial condition and could materially damage customer relationships. There has been, and may continue to be, market shortages of semiconductor and other electrical component supplies, which has affected, and could further affect, our clients in the computing and consumer electrical markets and, consequently, their demand for our offerings. During periods of component shortages for our clients, we may also encounter reduced client demand, and accordingly, our revenue and profitability could suffer until other component sources can be developed.

***We must maintain adequate levels of inventory in order to meet client needs, which presents risks to our financial position, operating results, and cash flows.***

We must purchase and maintain adequate levels of inventory in order to meet client needs on a timely basis. The markets, including the technology sector served by many of our clients, are subject to rapid technological change, new and enhanced product specification requirements and evolving industry standards. These changes may cause inventory on hand to decline substantially in value or to rapidly become obsolete. The majority of our clients offer protection from the loss in value of inventory. However, our clients may become unable or unwilling to fulfill their protection obligations, and the inability of our clients to do so could lower our gross margins and cause us to record inventory write-downs. If we are unable to manage the inventory on hand with our clients with a high degree of precision, we may have insufficient product supplies to meet demand or we may have excess inventory, resulting in inventory write-downs, which may harm our business, financial position and operating results.

Our ability to obtain particular products or components in the quantities required to fulfill client orders on a timely basis is critical to our success. We have no guaranteed price or delivery agreements with our suppliers. We may occasionally experience a supply shortage of some products as a result of strong demand or problems experienced by our suppliers. If shortages or delays persist, the price of those products may increase, or the products may not be available at all. Accordingly, an inability to secure and maintain an adequate supply of products, packaging materials or components to fulfill our client orders on a timely basis, or a failure to meet clients' expectations, could result in lost revenue, lower client satisfaction, negative perceptions in the marketplace, and potential claims for damages, and could have a material adverse effect on our business.

***We conduct business outside of the U.S., which exposes the Company to additional risks not typically associated with companies that operate solely within the U.S.***

The majority of the operations of our business is in foreign countries, including Mainland China, the Czech Republic, the Netherlands, Singapore, Ireland, Australia, and Mexico among others. These operations have additional risks, including currency exchange, foreign exchange controls, difficulties and limitations on the repatriation of cash, less developed or efficient financial markets than in the U.S., absence of uniform accounting, auditing and financial reporting standards, differences in the legal and regulatory environment, different publicly available information in respect of companies in non-U.S. markets, pressure on the creditworthiness of sovereign nations where we have customers and a balance of cash and marketable securities, different or lesser protection of our intellectual property, including increased risk of theft of our proprietary technology and other intellectual property and possible imposition of non-U.S. taxes.

We also face risks related to compliance with international and U.S. laws and regulations applicable to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions foreign exchange controls, U.S. laws such as export control laws, economic sanctions laws, and the Foreign Corrupt Practices Act, and similar laws in other countries, which also prohibit certain activities including corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, there is a risk that some provisions may be inadvertently breached. Also, we may be held liable for actions taken by our local partners. Violations of these laws and regulations could result in fines, criminal penalties against us, our officers or our employees, and prohibitions on the conduct of our business in these jurisdictions. Any such violations could include prohibitions on our ability to offer our products and services in one or more countries.

Certain geopolitical factors may also affect our operations internally, including:

- liquidity issues or political actions by sovereign nations, including nations with a controlled currency environment, which could result in decreased values of these balances or potential difficulties protecting our foreign assets or satisfying local obligations;

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- uncertainty regarding the imposition of and changes in the United States' and other governments' trade regulations, trade wars, tariffs, other restrictions or other geopolitical events, including the evolving relations between the United States and China, the United States and Russia and Russia's ongoing conflict with Ukraine;
- changes in the public perception of governments in the regions where we operate or plan to operate; and
- regional economic and political conditions.

Any of these factors could negatively impact our business and results of operations. The above factors may also negatively impact our ability to successfully expand into emerging market countries, where we have little or no operating experience, where it can be costly and challenging to establish and maintain operations, including hiring and managing required personnel, and difficult to promote our brand, and where we may not benefit from any first-to-market advantage or otherwise succeed.

### ***Our business in Mainland China faces specific risks.***

A significant portion of our revenue historically has come from Mainland China, and our business in turn faces certain specific risks relating to operations in Mainland China and its complex and unpredictable political, economic and legal environment. Foreign businesses must navigate a complex set of licensing and tax requirements and restrictions affecting their conduct of business in Mainland China, and the Chinese government may in the future adopt additional measures favoring local businesses that make it more difficult for foreign businesses to operate on an equal footing. From time to time, the Chinese government also implements various corrective measures, including, but not limited to, controls on credit or prices and currency restrictions, to regulate growth and inflation. These and any other measures could adversely affect our ability to operate in Mainland China and/or inhibit economic activity in China and thereby harm the market for our products and services.

In addition, as China's legal system continues to evolve, the interpretation and enforcement of many laws, regulations and rules involve significant uncertainties, including with respect to intellectual property protection. Any third parties we rely on in Mainland China may disclose our or our clients' confidential information or intellectual property to competitors or third parties, which could result in the illegal distribution and sale of counterfeit versions of our products. The legal protections and remedies available in the event of any claims or disputes may be limited and any litigation in Mainland China may be protracted and result in substantial costs and diversion of resources and management attention.

Moreover, our ability to operate in Mainland China may be adversely affected by changes in U.S. and Chinese laws and regulations, such as those related to, among other things, international trade, taxation, intellectual property, currency controls, network security and data protection, employee benefits and pay, and other matters. Additionally, the U.S. administration has advocated greater restrictions on trade generally and significant increases on tariffs on certain goods imported into the United States, particularly from Mainland China and has taken steps toward restricting trade in certain goods. China and other countries have retaliated in response to new trade policies, treaties and tariffs implemented by the United States. China has imposed significant tariffs on U.S. imports since 2018. Such trade escalations have had, and may continue to have, an adverse effect on manufacturing and trade levels and specifically, may cause an increase in the cost of goods exported from Asia Pacific and the risks associated with exporting goods from the region. If any of these events occur, our business, financial condition, results of operations, and cash flows could be materially and adversely affected.

### ***A significant percentage of our assets is invested in cash and cash equivalents and investment securities which are subject to risks that could impact the value of our cash investments and our financial condition.***

A portion of our cash and cash equivalents are invested or held in a mix of money market funds and marketable securities. Our cash position and investment returns on the securities in which we invest may be impacted by factors outside of our control, including but not limited to rising levels of inflation globally, volatility in the financial markets, and market and economic conditions in general. A loss on our investments may negatively impact our financial condition and liquidity position.

### ***We may encounter problems in our efforts to increase operational efficiencies.***

Because the markets in which we operate are highly competitive, we continue to seek to identify ways to increase efficiencies and productivity and effect cost savings. Our business is continually employing programs to achieve efficiencies, which include investment in capital equipment and automation. We cannot assure you that these projects and capital investments will result in the realization of the expected benefits that we anticipate in a timely manner or at all. We may encounter problems with these projects that will divert the attention of management and/or result in additional costs and unforeseen project delays. If we, or these projects, do not achieve expected results, our business, financial position and operating results may be materially and adversely affected. In addition to already undertaken projects in our business designed

to increase our operational efficiencies, including the standardization to a global solutions platform through an integrated ERP system and the implementation of a regional model of management covering multiple locations across the Americas, Asia and Europe regions, our executive team is continuing its review across the organization designed to improve our operations.

***Loss of essential employees or an inability to recruit and retain personnel could have a significant negative impact on our business.***

Our success is largely dependent on the skills, experience, and efforts of the management and other employees of our business. The loss of the services of one or more members of our senior management or of numerous employees with essential skills could have a negative effect on our business, financial condition and results of operations. If we are not able to retain or attract talented, committed individuals to fill vacant positions when needs arise, it may adversely affect our ability to achieve our business objectives. We do not currently maintain “key persons” insurance on our senior management. Labor market conditions may have an adverse impact on profitability and ability to deliver product on time. Any material increases in employee turnover rates could also have a material adverse effect on our business, financial condition, results of operations, and cash flows.

***We may not be able to identify, manage, complete and integrate acquisitions and achieve anticipated synergies and benefits.***

Part of our business strategy historically has been to acquire businesses that we believe can complement our current business activities, both financially and strategically. Acquisitions involve many complexities and inherent risk, including, but not limited to: failure to achieve all or any projected synergies or other intended benefits of the acquisition; failure to integrate the purchased operations, technologies, products or services; substantial unanticipated integration costs; loss of key employees, including those of the acquired business; additional debt and/or assumption of unknown liabilities; loss of customers; and the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002. As a result, there is no guarantee that our acquisitions will increase the profitability and cash flow of the Company, and our efforts could cause unforeseen complexities and additional cash outflows, including financial losses. Additionally, following the issuance of the Series E Convertible Preferred Stock, which further consolidated control of the Company in the Steel Partners Group, it may be more challenging for us to raise equity financing or to use our equity as acquisition consideration, which may in turn hamper our ability to complete acquisitions. For more information, see “RISKS RELATED TO OUR BUSINESS, OPERATIONS AND INDUSTRY—We may have problems raising or accessing capital we need in the future.”

***The physical or intellectual property of our clients may be damaged, misappropriated, stolen or lost while in our possession, subjecting us to potential litigation and other adverse consequences.***

In the course of providing supply chain management services to our clients, we often have possession of or access to their physical and intellectual property, including consigned inventory, databases, software masters, certificates of authenticity and similar valuable physical or intellectual property. If this physical or intellectual property is damaged, misappropriated stolen or lost, we could suffer the following harmful consequences: claims under client agreements or applicable law, or other liability for damages; delayed or lost revenue due to adverse client reaction; negative publicity; and litigation that could be costly and time consuming and which may not be reimbursable by third party insurance coverages.

***A significant disruption in, or breach in security of, our technology systems could adversely affect our business.***

We rely on information and operational technology systems in the conduct of our business to process, transmit and store electronic information, to manufacture our products and to manage or support a variety of critical business processes and activities. In some cases, we may rely upon third-party providers of hosting, support and other services to meet our information technology requirements. Our information and operational technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, ransomware attacks, natural disasters and defects in design. We may also face increased cybersecurity risks associated with an extensive workforce now working remotely, as remote working environments have become less secure and more susceptible to hacking attacks, including phishing and social engineering attempts. Cybersecurity incidents in particular are evolving and include, but are not limited to, use of malicious software, attempts to gain unauthorized access to data or control of automated production systems, and other security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. We have implemented various measures to manage and mitigate risks related to technology systems and network disruption. We maintain an information security program that includes cybersecurity awareness training for employees, consistent infrastructure security practices across user account access, endpoint protection, email and perimeter security, as well as continuous monitoring and logging of network activity and tracking for rapid incident response. We believe that these preventative actions provide us and our businesses with adequate measures of protection against

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security breaches and work to reduce technology disruptions and cybersecurity risks. However, given the unpredictability of the timing, nature and scope of technology security incidents and disruptions, our businesses have been, and could potentially be, subject to production downtimes, operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, theft, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our competitive position, financial condition, reputation or results of operations. We have experienced, and could experience in the future, actual or attempted cyber-attacks of our information technology systems or networks, yet none of these actual or attempted cyber-attacks has had a material effect on our operations or financial condition. Further, any failure by our hosting and support partners or other third-party service providers in the performance of their services could materially harm our business.

A breach of our information technology systems could also result in the misappropriation of intellectual property, business plans or trade secrets. Any failure of our systems or those of our third-party service providers could result in unauthorized access or acquisition of such proprietary information, and any actual or perceived security breach could cause significant damage to our reputation and adversely impact our relationships with our customers. Additionally, while our security systems are designed to maintain the physical security of our facilities and information systems, accidental or willful security breaches or other unauthorized access by third parties to our facilities or our information systems could lead to misappropriation of proprietary and confidential information.

If any person, including any of our employees or those with whom we share such information, negligently disregards or intentionally breaches our established controls with respect to our client, customer or employee data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, litigation, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions.

We take cybersecurity seriously and devote significant resources and tools to protect our systems, products and data, prevent unwanted intrusions and disclosures and provide periodic training to our employees, in compliance with applicable U.S. federal and state laws and non-U.S. laws and regulations addressing cybersecurity. However, these security and compliance efforts are costly to implement and may not be successful. As cyber threats are continually evolving, our controls and procedures may become inadequate and we may be required to devote additional resources to modifying or enhancing our systems in the future. There can be no assurance that we will be able to prevent, detect and adequately address or mitigate such cyber-attacks or security breaches. We may also be required to expend resources to remediate cyber-related incidents or to enhance and strengthen our cybersecurity. Any such breach could have a material adverse effect on our operations and our reputation and could cause irreparable damage to us or our systems, regardless of whether we or our third-party providers are able to adequately recover critical systems following a systems failure.

***Litigation pending against us could materially impact our business, financial condition, results of operations, and cash flows.***

We are currently a party to various legal and other proceedings. See "Item 3. Legal Proceedings" of this Annual Report. Trends in litigation may include class actions involving consumers, stockholders or employees, and claims relating to commercial, labor, employment, antitrust, securities or environmental matters. Litigation trends and the outcome of litigation cannot be predicted with certainty and adverse litigation trends and outcomes could result in material damages and/or other expenses, which could adversely affect our financial condition and results of operations. We can provide no assurances as to the outcome of any litigation.

***The funds held for clients may be subject to credit risk, impairment, misappropriation or theft, and any such incident could result in harm to our clients and damage to our brand.***

In the normal course of our business, we, at times, collect, process and/or retain client funds. The client funds are maintained at financial institutions both internationally and domestically, and the balances associated with these funds are at times without or in excess of federally insurable limits. Because such funds may not be fully protected, they could be vulnerable to external or internal unauthorized access or use, which may cause such funds to be impaired, misappropriated or stolen. Any impairment, misappropriation or theft of client funds could damage our reputation, expose us to mitigation costs and the risks of private litigation and government enforcement, disrupt our business and otherwise have a materially adverse effect on our business, sales and results of operations. In addition, our failure to respond quickly and appropriately to any impairment, misappropriation or theft of client funds could exacerbate the consequences to the client and to our business, as well as increase the time or cost necessary to mitigate or resolve the issue.

***Epidemics, pandemics, outbreaks of disease and other adverse public health developments, including COVID-19, previously had, and may in the future have, an adverse effect on our business, results of operations, financial condition, and cash flows.***

Epidemics, pandemics, outbreaks of novel diseases and other adverse public health developments in countries and states where we operate may arise at any time and previously had, and in the future may have, an adverse effect on our business, results of operations, financial condition and cash flows. Among other risks, future pandemics could reduce customer demand for our products, cause disruptions or closures of our manufacturing operations or those of our customers and suppliers, delay and disrupt the supply chain, limit productivity and efficiency of our personnel and availability of qualified personnel, increase cybersecurity risks associated with remote working environments, increase our costs for raw materials and commodity costs, and limit our ability to meet customer demand. Precautionary measures that we may take in the future intended to limit the impact of any epidemic, pandemic, disease outbreak or other public health development may result in additional costs. The extent to which public health developments will impact our business and our financial results in the future will depend on various factors, which are highly uncertain and cannot be predicted. The impact of another pandemic, epidemic, or public health emergency may also exacerbate many of the other risks described in this "Risk Factors" section of this Annual Report.

#### **RISKS RELATED TO TAXATION**

***We may be unable to realize the benefits of our remaining net operating loss carry-forwards and other tax benefits (collectively, "NOLs" or "Tax Benefits").***

Our past operations generated significant NOLs. Under federal tax laws, NOLs arising in tax years beginning before January 1, 2018, and certain related tax credits can generally be used to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, at which point they expire for such purposes. For NOLs arising in tax years beginning after December 31, 2017, and before January 1, 2021, we are allowed to carryback such NOLs to each of the five taxable years preceding the taxable year of such losses and generally can use any such NOLs and certain related tax credits to reduce ordinary income tax paid on our future taxable income indefinitely. For NOLs arising in tax years beginning after December 31, 2020, we generally can use such NOLs and certain related tax credits to reduce ordinary income tax paid on our future taxable income indefinitely; however, any such NOLs cannot be used to reduce ordinary income tax paid in prior tax years. In addition, the deduction for NOLs arising in tax years beginning after December 31, 2020, is limited to 80 percent of our taxable income for any tax year (computed without regard to the NOL deduction and subject to certain other adjustments). NOLs arising in tax years beginning before January 1, 2018, are referred to herein as "Pre-2018 NOLs." The Company had net NOL carryforwards for federal and state tax purposes of approximately \$321.6 million and \$116.1 million, respectively, at July 31, 2024. Of the total U.S. federal NOLs, \$96.6 million do not expire and the remaining carry-forwards of \$225.0 million will expire at various dates beginning in 2027 through 2038. We cannot estimate the exact amount of NOLs that we will be able use to reduce future income tax liability because we cannot predict the amount and timing of our future taxable income.

Our ability to utilize our NOLs to offset future taxable income may be significantly limited if we experience an "ownership change" as determined under Section 382 of the Internal Revenue Code (the "Code" or "Internal Revenue Code"). Under Section 382, an "ownership change" occurs if one or more stockholders or groups of stockholders that each owns (or is deemed to own) at least 5 percent of our common stock increases their aggregate ownership by more than 50 percentage points over its lowest ownership percentage within a rolling three-year period. If an ownership change occurs, Section 382 would impose an annual limit on the amount of our NOLs that we can use to offset taxable income equal to the product of the total value of our outstanding equity immediately prior to the ownership change (reduced by certain items specified in Section 382) and the federal long-term tax-exempt rate in effect for the month of the ownership change. Several complex rules apply to calculating this annual limit.

If an ownership change is deemed to occur, the limitations imposed by Section 382 could significantly limit our ability to use our NOLs to reduce future income tax liability and result in a material amount of our Pre-2018 NOLs expiring unused and, therefore, significantly impair the value of our Pre-2018 NOLs. While the complexity of Section 382's provisions and the limited knowledge any public company has about the ownership of its publicly traded securities make it difficult to determine whether an ownership change has occurred, we currently believe that an ownership change has not occurred.

Our ability to use our Pre-2018 NOLs in future years will depend upon the amount of our federal and state taxable income. If we do not have sufficient federal and state taxable income in future years to use the Pre-2018 NOLs before they expire, we will lose the benefit of the Pre-2018 NOLs permanently. In addition to the generation of future federal and state taxable income, our ability to use our Pre-2018 NOLs will depend significantly on our success in identifying suitable acquisition or investment candidates, and once identified, successfully consummating an acquisition of, or investment in these candidates. We have adopted an amendment to our Restated Certificate of Incorporation (the "Protective Amendment") designed to preserve our ability to utilize our NOLs by preventing an "ownership change" within the meaning of Section 382 that would impair our ability to utilize our NOLs. For more information, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Tax Benefits Preservation."

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Although the Protective Amendment is intended to diminish the likelihood of an ownership change, we cannot assure you that it will be effective. The amount by which an ownership interest may change in the future could, for example, be affected by purchases and sales of common stock by stockholders holding five percent or more of our outstanding common stock, over which we have no control, and new issuances of shares of common stock by us, should we choose to do so.

The amount of NOLs that we have claimed has not been audited or otherwise validated by the U.S. Internal Revenue Service ("IRS"). The IRS could challenge our calculation of the amount of our NOLs or our determinations as to when a prior change in ownership occurred, and other provisions of the Internal Revenue Code may limit our ability to carry forward our NOLs to offset taxable income in future years. If the IRS was successful with respect to any such challenge, the potential tax benefit of the NOLs to us could be substantially reduced. In addition, determining whether an ownership change has occurred is subject to uncertainty, both because of the complexity and ambiguity of the Section 382 provisions and because of limitations on the knowledge that any publicly traded company can have about the ownership of, and transactions in, its securities on a timely basis. Therefore, we cannot assure you that the IRS or other taxing authority will not claim that we experienced an ownership change and attempt to reduce the benefit of the NOLs even if the Protective Amendment is in place. Any of the above risks to our ability to use our NOLs could materially adversely affect the value of your investment.

### ***There may be adverse effects on the value of your investment from our use of the Protective Amendment.***

The Protective Amendment is intended to deter persons or groups of persons from acquiring beneficial ownership of our Common Stock in excess of the specified limitations, as a way of preventing an "ownership change" and protecting our ability to use our NOLs. For more information, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Tax Benefits Preservation." Nonetheless, the Protective Amendment may have an "anti-takeover effect" because it may deter a person or group of persons from acquiring beneficial ownership of 4.99% or more of our outstanding common stock or, in the case of a person or group of persons that already own 4.99% or more of our outstanding common stock, from acquiring any additional common stock. The Protective Amendment could discourage or prevent a merger, tender offer, proxy contest or accumulations of substantial blocks of shares of common stock.

Additionally, a stockholder's ability to dispose of our common stock may be limited if the Protective Amendment reduces the number of persons willing to acquire our common stock or the amount they are willing to acquire. Thus, the Protective Amendment could severely reduce liquidity of our common stock, negatively impacting the value of your investment. A stockholder may also become a greater than 4.99% stockholder upon actions taken by persons related to, or affiliated with, that stockholder. Stockholders are advised to carefully monitor their ownership of our common stock and consult their own legal advisors and/or us to determine whether their ownership of common stock approaches the proscribed level.

### ***Changes in tax laws and regulations in, and the distribution of income among, jurisdictions in which the Company does operates could materially affect our business, financial position, financial condition, results of operations, and cash flows.***

We are a US-based multinational company subject to taxes and multiple US and foreign tax jurisdictions. The income and non-income tax regimes to which we are subject or under which we operate are unsettled and may be subject to significant change. We record income tax expense based on our estimate of future payments, which includes reserves for uncertain tax positions and multiple tax jurisdictions and requires significant judgment in evaluating and estimating our provision and accruals. The company's future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, the results of audits of previously filed tax returns, changes in liabilities for uncertain tax positions, changes to the cost of repatriation, or changes in tax laws and regulations and the interpretations thereof in the jurisdictions where we operate.

We and our subsidiaries are engaged in intercompany transactions across multiple tax jurisdictions. We believe these transactions reflect arm's length terms and proper transfer pricing policies are in place. These transfer pricing policies are a significant component of the management and compliance of our operations across international boundaries and overall financial results. Many countries routinely examine transfer pricing policies of taxpayers subject to their jurisdiction, challenge transfer pricing policies aggressively where there is potential noncompliance and impose significant interest charges and penalties where noncompliance is determined. Government authorities could challenge these policies more aggressively in the future and, if challenged, we may not prevail. We could suffer significant costs related to one or more challenges to our transfer pricing policies.

In addition, a number of international legislative and regulatory bodies have proposed legislation and begun investigations of the tax practices of multinational companies and, in the European Union, the tax policies of certain European Union member states. In December 2021, the Organization for Economic Co-operation and Development ("OECD"), an

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international association comprised of 38 countries, including the United States, released the Pillar Two model rules which recommended changes to countries' international tax systems, including, among other things, certain profit reallocation rules and a 15 percent global minimum effective corporate tax rate. Pillar Two legislation has been agreed to by more than 140 countries, and certain countries in which we operate have adopted legislation to implement these recommendations, while other countries are expected to introduce legislation to do so. We are continuing to evaluate the potential impact on future periods of the Pillar Two framework, pending legislative adoption by individual countries. Given the unpredictability of possible further changes to, and the potential interdependency of, the United States and foreign tax laws and regulations, it is difficult to predict the cumulative effect of such tax laws and regulations on the company's results of operations and cash flows.

We closely monitor legislation, proposals and other developments such as these in the countries in which we operate. Nonetheless, changes to the statutory tax rate may occur at any time, and we could still be subject to increased taxation on a go-forward basis no matter what action we undertake if certain legislative proposals or regulatory changes are enacted, certain tax treaties are amended or our interpretation of applicable tax or other laws is challenged and determined to be incorrect. Due to the large and expanding scale of our international business activities, many of these types of changes to the taxation of our activities could increase our worldwide effective tax rate and adversely affect our business, financial position and results of operations. Such changes may also retroactively apply to our historical operations and result in taxes greater than the amounts estimated and recorded in our financial statements.

***We are subject to federal, state and foreign tax audits, which could result in the imposition of liabilities that may or may not have been reserved, and changes in our provision for income taxes.***

We are subject to audits by taxing authorities in various jurisdictions with respect to income taxes and for various other taxes, including but not limited to value added tax ("VAT"), excise tax, sales and use tax, gross receipts tax and property tax. Judgment is required in determining our worldwide income tax provision and accordingly there are many transactions and computations for which our final tax determination is uncertain. Although we believe the recorded tax estimates are reasonable, the ultimate outcome from any audit (or related litigation) could be materially different from amounts reflected in our income tax provisions and accruals. These audits can cover periods for several years prior to the date the audit is undertaken and could result in the imposition of liabilities, interest and penalties if our tax positions are not accepted by the auditing tax authority. Final determination of tax audits in any related litigation could be materially different from our historical income tax provisions and accruals, and while we do not believe the results would have a material adverse effect on our financial condition, Such results could have a material effect on our income tax provision, net income or cash flows in the period in which that determination is made.

## **RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK**

***Steel Partners Holdings, L.P. and its affiliates own the vast majority of the voting power of our capital stock and have control over our corporate decisions.***

As of July 31, 2024, Steel Holdings, directly and indirectly, owned approximately 88.4% of our outstanding common stock (on an as-converted basis), and, when combined with its affiliated entities and individuals who are members of a Section 13(d) group with Steel Holdings and its affiliated entities, 89.5%, of our outstanding common stock (on an as-converted basis). This includes, in addition to shares of common stock held outright, all shares of common stock underlying the Series C Convertible Preferred Stock, par value \$0.01 per share, and Series E Preferred Stock (which vote on an as-converted basis together with the holders of common stock), par value \$0.01 per share. This does not include the 584,055 shares of common stock underlying the SPHG Note (which were not entitled to vote, but were deemed to be beneficially owned by SPH Group Holdings LLC, which is controlled by Steel Holdings, based on their convertibility at the holder's option) as it was paid off at maturity on September 3, 2024. In addition, four of our board members include the Executive Chairman of the general partner of Steel Holdings, the President of Steel Holdings, an affiliate of Steel Holdings and the Chief Administrative Officer and Chief Legal Officer of Steel Holdings.

As a result of this board representation and ownership of our capital stock, Steel Holdings and its affiliates control our management and affairs and/or control most matters requiring stockholder approval, including the election of directors, the adoption of a tax benefits preservation plan, a business combination, consolidation or sale of all or substantially all of our assets, and most and possibly all amendments to our organizational documents or any other significant corporate transaction, including a going private transaction which would also require the approval of a special committee pursuant to the Stockholders' Agreement (as described in Note 24 - "Related Party Transactions" of the accompanying notes to the consolidated financial statements in this Annual Report). In addition, because a business combination, such as a merger or consolidation, requires the affirmative vote of 75% of our outstanding voting stock, this concentration of ownership may have the effect of delaying or preventing a change in control of our Company and might adversely affect the market price of our common stock. Additionally, minority stockholders could not call a special meeting, as this requires at least 20% of the total voting power of

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the Company. Steel Holdings and its affiliates may also have interests that are different from other stockholders and may vote in a way that may be adverse to our other stockholders' interests. Conflicts of interest, or the appearance of conflicts of interest, could arise between our interests and the interests of Steel Holdings and its affiliates See Note 24 - "Related Party Transactions" of the accompanying notes to the consolidated financial statements in this Annual Report on Form 10-K for additional information.

### ***Members of our Board of Directors also have significant interests in Steel Holdings and its affiliates, which may create conflicts of interest.***

Some members of our Board of Directors also hold positions with Steel Holdings and its affiliates. Specifically, Warren G. Lichtenstein, our Interim Chief Executive Officer and Executive Chairman of the Board, is affiliated with Steel Holdings and is the Executive Chairman of Steel Partners Holdings GP Inc. ("Steel Holdings GP"). Glen Kassan, our Vice Chairman of the Board of Directors and former Chief Administrative Officer, is affiliated with Steel Holdings and is an employee of Steel Services. Jack L. Howard, a director, is the President of Steel Holdings and a director of Steel Holdings GP. Joseph Martin, a director, is Chief Administrative Officer and Chief Legal Officer of Steel Holdings. See our definitive proxy statement on Schedule 14A filed June 18, 2024 for full biographical information for Messrs. Lichtenstein, Kassan, Howard and Martin.

As a result, these individuals may face potential conflicts of interest with each other and with our stockholders. They may be presented with situations in their capacity as either an officer or as our directors that conflict with their fiduciary obligations to Steel Holdings and its affiliates, which in turn may have interests that conflict with the interests of our other stockholders. While our contractual arrangements place restrictions on the parties' conduct in certain situations and related party transactions are subject to independent review and approval in accordance with our related party transaction approval procedures and applicable laws, the potential for a conflict of interest exists and such persons may have conflicts of interest, or the appearance of conflicts of interest, with respect to matters involving or affecting Steel Holdings and affiliates.

## **RISKS RELATED TO OUR INDEBTEDNESS**

### ***Future indebtedness could restrict our operations and make us more vulnerable to adverse economic conditions.***

As of July 31, 2024, our only outstanding debt was the SPHG Note, however the SPHG Note was paid off on September 3, 2024 upon maturity.

We may incur indebtedness in the future which could have important consequences for us and our stockholders. For more information, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt and Financing Arrangements" of this Annual Report.

Debt agreements that we enter into in the future could require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures and acquisitions, and for other general corporate purposes. In addition, such indebtedness could:

- increase our vulnerability to adverse economic and competitive pressures in our industry;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry; and
- limit our ability to borrow additional funds on terms that are acceptable to us or at all.

Such future debt agreements could also contain affirmative and negative covenants, including with regard to specified financial covenants, which limit and restrict our operations and may hamper our ability to engage in activities that may be in our long-term best interests. Events beyond our control could affect our ability to meet these and other covenants under the debt agreements. Our failure to comply with those covenants and other obligations under the debt agreements may result in an event of default thereunder. A default, if not cured or waived, may permit acceleration of future indebtedness. This could have serious consequences to our financial condition, operating results and business, and could cause us to become insolvent or enter into bankruptcy proceedings, and stockholders may lose all or a portion of their investment because of the priority of the claims of the creditors on the assets.

### ***Changes in reference interest rates could adversely affect our cash flows.***

An increase in prevailing interest rates has in the past and would in the future have an effect on the interest rates charged on any variable rate debt we may incur, which rise and fall upon changes in reference interest rates. If prevailing interest rates or other factors result in higher interest rates, the increased interest expense would adversely affect our cash flow and our ability to service any indebtedness we may incur.

## ITEM 1B.— UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C.— CYBERSECURITY

The Audit Committee ("Audit Committee") of the Company's Board of Directors (the "Board") is involved in the oversight of the Company's enterprise risk management program, including risks of cybersecurity threats. In general, the Company seeks to address cybersecurity risks through a comprehensive, cross-functional approach that is focused on ensuring the implementation of effective and efficient controls, technologies, and other processes to assess, identify, prevent and mitigate cybersecurity threats and effectively respond to cybersecurity incidents when they occur.

### *Cybersecurity risk management and strategy*

As one of the critical elements of the Company's overall enterprise risk management approach, the Company's cybersecurity program includes:

- **Collaboration:** Through ongoing communications with management and the IT department of Steel Holdings, the Company's IT department monitors the prevention, detection, mitigation and remediation of cybersecurity threats and incidents applicable to the particular operating company in real time, and reports such threats and incidents to the Data Breach Response Team, who will then report to the Audit Committee when appropriate.
- **Technical Safeguards:** The Company deploys technical safeguards that are designed to protect the Company's information systems from cybersecurity threats and such safeguards are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.
- **Managed Security Service Provider ("MSSP"):** The Company has an Agreement in place with a third-party managed security service provider. They provide strategic and technical services helping our business manage cyber risk and improve security posture.
- **Incident Response and Recovery Planning:** The Company has established and maintains comprehensive incident response and recovery plans that address the Company's response to a cybersecurity incident. The Company has adopted a Cybersecurity Incident Policy and has established a Data Breach Response Team to timely, consistently, and compliantly address cybersecurity threats that may occur despite the Company's safeguards.
- **Outside Consultants:** The Company engages various outside consultants, including forensic specialists, public relations and data breach resolutions firms, outside attorneys and other third parties, to among other things, obtain information of a cybersecurity incident and isolate compromised systems and electronic data from further exposure; and determine and execute mitigation and remediation options and plans.
- **Education and Awareness:** The Company provides awareness training to its personnel regarding cybersecurity threats to help identify, avoid and mitigate cybersecurity threats, and to communicate the Company's evolving information security policies, standards, processes and practices.

Cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected the Company or its financial position, results of operations and/or cash flows.

### *Governance*

As discussed above, the Board has delegated to the Audit Committee the responsibility for monitoring and overseeing the Company's overall cybersecurity and other information technology risks, controls, strategies and procedures. The Audit Committee periodically evaluates the Company's information security strategies to ensure its effectiveness. The Company's management reports to the Audit Committee as part of every quarterly scheduled meeting of the Audit Committee (or more frequently, as needed) regarding technological risk exposure and cybersecurity risk management strategy. In addition, the full Board may review and assess cybersecurity risks as part of its responsibilities for oversight of the Company's broad enterprise risk management program.

The Company's IT department, in coordination with the Company's legal department, Chief Financial Officer ("CFO"), and as needed Steel Partners Holdings' IT department (collectively, the "Data Breach Response Team"), works collaboratively to promptly respond to any cybersecurity incidents in accordance with the Company's Cybersecurity Incident Policy. The Company's response planning is reviewed annually and kept up to date with industry developments.

### *Management's Expertise*

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The Company's Senior Vice President, Information Technology, holds a Master's degree in business administration and industrial psychology. He has served in various roles in information technology for over 26 years. Additionally, he stays informed about the latest developments in cybersecurity, including potential threats and innovative risk management techniques as staying informed on developments in the cyber industry is crucial to the Company's effective prevention, detection, mitigation and remediation of any cybersecurity incidents.

**ITEM 2.— PROPERTIES**

Our corporate headquarters is located in New York, New York. As of July 31, 2024, our Supply Chain business leased more than 20 sites in several countries from which we operate ModusLink, which consist of office and warehouse space including, but not limited to, the United States, Mexico, the Netherlands, the Czech Republic, Ireland, Singapore, Australia, Thailand and Mainland China.

We believe that our existing properties are suitable and adequate for our present purposes and provide sufficient capacity to meet our anticipated requirements, and that new facilities will be available in the event we need additional or new space.

**ITEM 3.— LEGAL PROCEEDINGS**

The information required with respect to this item can be found in Note 12 - "Commitments and Contingencies" to our consolidated financial statements and is incorporated by reference into this Item 3. For an additional discussion of certain risks associated with legal proceedings, also see "Part I, Item 1A. Risk Factors" of this Report.

**ITEM 4.— MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5.—MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Market Information**

As of July 31, 2024, we had 6,319,513 shares of common stock issued and outstanding. Our common stock is traded on the Nasdaq Capital Market under the symbol "STCN."

**Stockholders**

As of July 31, 2024, there were approximately 15 holders of record of common stock of the Company. This number does not include beneficial owners for whom shares are held by nominees in street name.

**Dividends**

Payment of future dividends, if any, will be at the discretion of our Board of Directors, after taking into account various factors, including our financial condition, operating results, any restrictions on payment of dividends under our credit facilities, current and anticipated cash needs and plans for expansion.

**Recent Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities**

The Company did not make any purchases of its common stock during the year ended July 31, 2024.

**Securities Authorized for Issuance Under Equity Compensation Plans**

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Information regarding the Company's equity compensation plans and the securities authorized for issuance thereunder is set forth in Item 12 of Part III.

### **Performance Graph**

Consistent with the rules applicable to "Smaller Reporting Companies" we have omitted information required by this item.

### **ITEM 6.— [Reserved]**

### **ITEM 7.— MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion of our financial condition and results of operations should be read in conjunction with the information contained in our consolidated financial statements and the notes thereto. The following discussion includes forward-looking statements that involve certain risks and uncertainties, including, but not limited to, those described in Item 1A. Risk Factors. Our actual results may differ materially from those discussed below. See "Forward-Looking Statements" and Item 1A. Risk Factors.*

#### **Overview**

Steel Connect, Inc. (the "Company") is a holding company which operates through its wholly-owned subsidiary, ModusLink Corporation ("ModusLink" or "Supply Chain"), which serves the supply chain management market.

ModusLink provides digital and physical supply chain solutions to many of the world's leading brands across a diverse range of industries, including consumer electronics, telecommunications, computing and storage, software and content, consumer packaged goods, health and personal care products, retail and luxury and connected devices. These solutions are delivered through a combination of industry expertise, innovative service solutions, and integrated operations, proven business processes, an expansive global footprint and world-class technology. With a global footprint spanning North America, Europe and the Asia Pacific region, the Company's solutions and services are designed to improve end-to-end supply chains in order to drive growth, lower costs, and improve profitability.

#### *Steel Partners and Steel Connect Exchange Transaction*

On April 30, 2023, Steel Partners Holdings L.P. ("Steel Holdings") and the Company executed a series of agreements in which Steel Holdings and certain of its affiliates (the "Steel Partners Group") agreed to transfer certain marketable securities held by the Steel Partners Group to the Company in exchange for 3.5 million shares of Series E Convertible Preferred Stock of the Company (the "Series E Convertible Preferred Stock", and, such transfer and related transactions, the "Exchange Transaction"). Following the approval by the Company's stockholders on June 6, 2023, pursuant to the rules of the Nasdaq Capital Market, the Series E Convertible Preferred Stock is convertible into an aggregate of 19.8 million shares of the Company's common stock, par value \$0.01 per share (the "common stock" or "Common Stock"), and votes together with the Company's common stock and participates in any dividends paid on the Company's common stock, in each case on an as-converted basis. Upon conversion of the Series E Convertible Preferred Stock, when combined with the common stock, the 7.50% Convertible Senior Note (the "SPHG Note"), if converted, and the Steel Connect Series C Convertible Preferred Stock, also if converted, owned by the Steel Partners Group, would have resulted in the Steel Partners Group holding approximately 84.0% of the outstanding equity interests of the Company as of May 1, 2023. The exclusion of the if-converted shares of the SPHG Note would have resulted in the Steel Partners Group holding approximately 83.8% of the outstanding equity interests of the Company as of May 1, 2023.

The Exchange Transaction closed on May 1, 2023, the date that the consideration was exchanged between the Company and Steel Holdings, and as of that date the Company became a consolidated subsidiary of Steel Holdings for financial statement purposes. Refer to Note 1 - "Nature of Operations" and Note 3 - "Exchange Transaction" to the consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for further information.

As of July 31, 2024, the Steel Partners Group beneficially owned approximately 89.7% of our outstanding capital stock, including the if-converted value of the SPHG Note and shares of Series C Convertible Preferred Stock and Series E Convertible Preferred Stock that vote on an as-converted basis together with our Common Stock. The exclusion of the if-converted value of the SPHG Note would have resulted in the Steel Partners Group holding approximately 89.5% of our outstanding capital stock.

#### *Predecessor/Successor Reporting*

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On May 1, 2023, the Exchange Transaction resulted in Steel Holdings obtaining control of the Company for financial statement consolidation purposes. Steel Holdings does not consolidate the Company for Federal income tax purposes because the ownership in the Company is dispersed between different federal tax consolidation groups within Steel Holdings. As of May 1, 2023, the Company elected pushdown accounting in which it used Steel Holdings' basis of accounting, which reflected the fair market value of the Company's assets and liabilities at the date of the Exchange Transaction. As a result, the Company has reflected the required pushdown accounting adjustments in its consolidated financial statements. Due to the application of pushdown accounting, the Company's consolidated financial statements and certain footnote disclosures include a black line division between the two distinct periods to indicate the application of two different bases of accounting, which may not be comparable, between the periods presented. The pre-exchange period through April 30, 2023 is referred to as the "Predecessor" period. The post-exchange period, May 1, 2023 and onward, includes the impact of pushdown accounting and is referred to as the "Successor" period. See Note 1 - "Nature of Operations" and Note 3 - "Exchange Transaction" to the consolidated financial statements in Part II, Item 8 of this Annual Report for further information.

As it relates to the results of operations, while the 2023 Successor period and the 2023 Predecessor period are distinct reporting periods, the effects of the change of control for financial statement purposes did not have a material impact on the comparability of our results of operations between the periods, unless otherwise noted related to the impact from pushdown accounting. References to the combined 2023 period from August 1, 2022 to July 31, 2023 combine the period from August 1, 2022 to April 30, 2023 (Predecessor) and the period from May 1, 2023 to July 31, 2023 (Successor) ("the Combined Fiscal Year Ended July 31, 2023 Period", or "prior year") to enhance the comparability of such information to the fiscal year ended July 31, 2024 (Successor).

### *Reverse/Forward Stock Split*

At the special stockholders meeting held on June 6, 2023, the stockholders approved proposals to amend the Company's restated certificate of incorporation (the "Charter"), to effect a 1-for-3,500 reverse stock split of the common stock (the "Reverse Stock Split"), followed immediately by a 375-for-1 forward stock split of the common stock (the "Forward Stock Split," and, together with the Reverse Stock Split, the "Reverse/Forward Stock Split"). On June 7, 2023, the Board approved the Reverse/Forward Stock Split, and as such, the Board directed the Company to file with the State of Delaware certificates of amendment to our Charter to effectuate the Reverse/Forward Stock Split. The Reverse/Forward Stock Split was effective on June 21, 2023 (the "Effective Date"). The Company's common stock began trading on a Reverse/Forward Stock Split-adjusted basis on the Nasdaq Capital Market when the market opened on June 22, 2023. The trading symbol for the Company's common stock remains "STCN."

No fractional shares were issued in connection with the Reverse/Forward Stock Split. Shares held by stockholders who held fewer than 3,500 shares of the Company's common stock immediately prior to the Reverse Stock Split were converted into the right to receive a payment in cash (without interest) equal to the fair value of such shares as of the time when those entitled to receive such payments were determined, which shall be an amount equal to such number of shares of the Company's common stock held multiplied by the average of the closing sales prices of the Company's common stock on Nasdaq for the five consecutive trading days immediately preceding the effective date of the Reverse Stock Split, and each share of the Company's common stock held by a stockholder of record owning 3,500 shares or more immediately prior to the effective time of the Reverse Stock Split were converted into a new number of shares of Company's common stock based on a ratio of 375 shares of the Company's common stock for each share of the Company's common stock owned immediately following the Reverse Stock Split, including any fractional shares owned following the Reverse Stock Split; however, with respect to any fractions of a share of Company common stock that may be held as a result of the Forward Stock Split, stockholders received a payment in cash (without interest) equal to the fair value of such fractions as of the time when those entitled to receive such fractions are determined, which was an amount equal to such fractions multiplied by the average of the closing sales prices of the Company's common stock on Nasdaq for the five consecutive trading days immediately preceding the effective date of the Reverse/Forward Stock Split (with such average closing sales prices being adjusted to give effect to the Reverse/Forward Stock Split).

The number of shares of authorized Company common stock did not change as a result of the Reverse/Forward Stock Split; however, the number of shares of outstanding Company common stock decreased as a result of the Reverse/Forward Stock Split.

Accordingly, all share and per-share amounts for the current period and prior periods have been adjusted to reflect the Reverse/Forward Stock Split.

The number of shares of common stock issuable upon the exercise of Series C Preferred Stock and the Series E Preferred Stock immediately prior to the Reverse/Forward Stock Split were proportionately decreased and the conversion price of the Series C Preferred Stock and the Series E Preferred Stock were proportionately increased, effective as of June 21, 2023, the

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close of business on the date of the Reverse/Forward Stock Split. Our issued and outstanding preferred stock was not affected by the reverse stock split and continues to be 3,535,000 shares of preferred stock, with a par value of \$0.01 per share. See Note 2 - "Summary of Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Annual Report for further information.

*Customers*

Historically, a limited number of key clients have accounted for a significant percentage of the Company's revenue. For the fiscal year ended July 31, 2024 and the Combined Fiscal Year Ended July 31, 2023 Period, the Company's 10 largest clients accounted for approximately 81% and 83% of consolidated net revenue, respectively. Two customers accounted for approximately 38% and 15% of the Company's consolidated net revenue for the fiscal year ended July 31, 2024, and 41% and 13% of the Company's consolidated net revenue for the Combined Fiscal Year Ended July 31, 2023 Period. No other customers accounted for greater than 10% of consolidated net revenue in these periods.

In general, the Company does not have any agreements that obligate any client to buy a minimum amount of services from it or designate it as an exclusive service provider. Consequently, the Company's net revenue is subject to demand variability by our clients. The level and timing of orders placed by the Company's clients vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. By diversifying into new markets and improving the operational support structure for its clients, the Company expects to offset the adverse financial impact such factors may bring about.

**Results of Operations**

The following summarizes the consolidated results of operations for the Predecessor and Successor periods, which relate to the periods preceding and periods succeeding the Exchange Transaction with Steel Holdings, respectively. The results of operations for the fiscal year ended July 31, 2024 and the Combined Fiscal Year Ended July 31, 2023 Period are comparable unless otherwise noted that as a result of pushdown accounting the periods are not comparable. Fluctuations in foreign currency exchange rates had an insignificant impact on the results for the fiscal year ended July 31, 2024, as compared to the Combined Fiscal Year Ended July 31, 2023 Period.

**Comparison of the Fiscal Year Ended July 31, 2024 (Successor) to the Combined Fiscal Year Ended July 31, 2023 Period**

	Successor		Predecessor		\$ Change <sup>1, 2</sup>	% Change <sup>1, 2</sup>
	Fiscal Year Ended July 31, 2024	May 1 to July 31, 2023	August 1, 2022 to April 30, 2023	Combined Fiscal Year Ended July 31, 2023 Period		
(In thousands)						
Net revenue	\$ 174,109	\$ 40,804	\$ 148,283	\$ 189,087	\$ (14,978)	(7.9)%
Cost of revenue	(125,616)	(29,749)	(108,031)	(137,780)	\$ 12,164	8.8 %
Gross profit	48,493	11,055	40,252	51,307	\$ (2,814)	(5.5)%
Gross profit percentage	27.9 %	27.1 %	27.1 %	27.1 %	n/a	80 bpts
Selling, general and administrative	(37,478)	(8,523)	(33,463)	(41,986)	\$ 4,508	10.7 %
Amortization expense	(3,554)	(911)	—	(911)	\$ (2,643)	(290.1)%
Interest expense	(996)	(265)	(2,588)	(2,853)	\$ 1,857	65.1 %
Other gains, net (including interest income)	14,492	6,395	4,889	11,284	\$ 3,208	28.4 %
Income before income taxes	20,957	7,751	9,090	16,841	\$ 4,116	24.4 %
Income tax benefit (expense)	67,023	398	(1,630)	(1,232)	\$ 68,255	5540.2 %
Net income	\$ 87,980	\$ 8,149	\$ 7,460	\$ 15,609	\$ 72,371	463.6 %

<sup>1</sup> favorable (unfavorable) change

<sup>2</sup> the change is calculated by comparing the results of operations for the Fiscal Year Ended July 31, 2024, to the results of operations for the Combined Fiscal Year Ended July 31, 2023 Period

**Net Revenue:**

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Consolidated net revenue for the fiscal year ended July 31, 2024 decreased by approximately \$15.0 million, as compared to the Combined Fiscal Year Ended July 31, 2023 Period. This decrease in net revenue was primarily driven by approximately \$18.6 million overall lower sales volumes, primarily related to clients in the computing and consumer electronics markets, partially offset by \$4.4 million new business revenue from new clients in the consumer electronics market.

### **Cost of Revenue:**

Consolidated 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. The Company's cost of revenue decreased by \$12.2 million for the fiscal year ended July 31, 2024 as compared to the same period in the prior year, primarily due to a \$12.6 million decrease in materials procured on behalf of clients in the computing and consumer electronics markets.

### **Gross Profit:**

The Company's gross profit decreased by \$2.8 million for the fiscal year ended July 31, 2024 as compared to the prior year period primarily due to lower sales volume discussed above. The gross profit percentage for the fiscal year ended July 31, 2024 increased 80 basis points to 27.9% from 27.1% in the prior year period, primarily due to changes in customer sales mix.

### **Selling, General and Administrative:**

Consolidated selling, general and administrative expenses ("SG&A") 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, marketing expenses, share-based compensation expense, transaction costs, restructuring and public reporting costs. SG&A expenses for the fiscal year ended July 31, 2024 decreased by approximately \$4.5 million, as compared to the same period in the prior year, primarily due to a decrease in Corporate-level activity. Corporate-level activity decreased by \$5.1 million, primarily due to a decrease in legal and other professional fees related to the Exchange Transaction which closed in May 2023. This activity was partially offset by an increase in mergers and acquisitions related expenses during the fiscal year ended July 31, 2024.

### **Amortization Expense:**

Amortization expense for the fiscal year ended July 31, 2024 increased \$2.6 million as compared to the same period in the prior year. Amortization expense is related to the recognition of intangible assets in connection with the application of pushdown accounting as a result of the Exchange Transaction, which closed on May 1, 2023. The increase is due to a full years' worth of amortization being recognized for the fiscal year ended July 31, 2024, as compared to only three months' worth of amortization recognized in the prior year period.

### **Interest Expense:**

Total interest expense for the fiscal year ended July 31, 2024 decreased \$1.9 million as compared to the prior year period, primarily due to the cessation of the amortization of the discount on the 7.50% Senior Convertible Note due 2024 (the "SPHG Note") as of May 1, 2023, the date of the Exchange Transaction.

### **Other Gains, Net (including Interest Income):**

Other gains, net are primarily composed of investment gains (losses), foreign exchange gains (losses), interest income, and sublease income.

Other gains, net for the fiscal year ended July 31, 2024 and the Combined Fiscal Year Ended July 31, 2023 Period were \$14.5 million and \$11.3 million, respectively.

Other gains, net for the fiscal year ended July 31, 2024 included: (1) \$13.7 million interest income, primarily earned on money market funds (2) \$1.4 million grant income, and (3) \$0.4 million sublease income. This activity was partially offset by (1) \$0.6 million net losses on investments and (2) \$0.4 million net unrealized loss on the fair value remeasurement of the SPHG Note.

Other gains, net for the Combined Fiscal Year Ended July 31, 2023 Period was primarily due to: (1) \$5.1 million realized gains on the disposition of the Aerojet shares received in the Exchange Transaction, (2) \$2.3 million gain from proceeds received from the sale of an investment, (3) \$1.6 million interest income, primarily earned on money market funds, (4) \$1.4

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million settlement with a client, and (5) \$1.0 million sublease income. This activity was partially offset by \$0.5 million unrealized loss on the fair value remeasurement of the SPHG Note.

### **Income Tax Benefit (Expense):**

The Company recorded an income tax benefit of approximately \$67.0 million for the fiscal year ended July 31, 2024, as compared to \$1.2 million income tax expense for the Combined Fiscal Year Ended July 31, 2023 Period. The favorable change in income tax is due to the Company's release of a portion of its valuation allowance for certain pre-existing Company deferred tax assets. The release resulted in a non-cash adjustment to income tax benefit of \$73.4 million for the fiscal year ended July 31, 2024, which increased from the income tax benefit of \$71.5 million in the third quarter of fiscal year 2024 due to an increase in taxable income that resulted in more NOLs being utilized before their expiration at fiscal year end. See the discussion below under "Critical Accounting Estimates" for further information on the analysis performed by the Company to conclude that the release of the valuation allowance was appropriate at this time.

### **Net Income:**

Net income for the fiscal year ended July 31, 2024 increased \$72.4 million as compared to the same period in the prior year. The increase in net income is primarily due to the non-cash significant income tax benefit accounting adjustment booked during the fiscal year ended July 31, 2024. See above for further details.

### **Liquidity and Capital Resources**

#### Anticipated Sources and Uses of Cash Flow

Historically, the Company has financed its operations and met its capital requirements primarily through funds generated from operations, the sale of its securities, borrowings from lending institutions and sale of facilities that were not fully utilized.

As a result of the Exchange Transaction, the Company recorded \$202.7 million to investments, which represents the fair value of the Aerojet common stock transferred to the Company. As of July 31, 2023, the Company had disposed of all its interest in Aerojet common stock. The majority of Aerojet common stock was disposed of when L3 Harris closed its merger with Aerojet. As of July 31, 2023, the Company received \$53.3 million in cash out of the total net proceeds of \$207.8 million. During the first quarter of fiscal year 2024, the Company received the remaining \$154.5 million proceeds in cash. The Company believes it has access to adequate resources to meet its needs for normal operating costs, capital expenditures, debt obligations and working capital for at least the next twelve months from the date of this Annual Report on Form 10-K. As of July 31, 2024, these resources include cash and cash equivalents and ModusLink's borrowing capacity under its credit agreement with Umpqua Bank (the "Umpqua Revolver"), as lender and as agent. The Umpqua Revolver provides for a maximum credit commitment of \$12.5 million and a sublimit of \$5.0 million for letters of credit. On May 1, 2024, ModusLink, entered into a Second Amendment to the Umpqua Revolver (the "Second Amendment"). Among other things, the Second Amendment (i) extended the maturity date with respect to revolving loans from March 31, 2025 to March 31, 2026, (ii) removed certain adjustments in the definition of "Adjusted EBITDA" as set forth in the Umpqua Revolver, (iii) increased the minimum Adjusted Tangible Net Worth (as defined in the credit agreement) and (iv) removed certain caps and conditions on ModusLink's ability to pay dividends. There was no balance outstanding on the Umpqua Revolver as of July 31, 2024. See Note 10 - "Debt" for further details regarding the Umpqua Revolver.

Upon a redemption request by a holder of Preferred Stock (as discussed in Note 24 - "Related Party Transactions", Steel Connect believes that it has access to adequate resources, including cash on hand and potential dividends from ModusLink, to pay the redemption price and continue its operations for the next twelve months from the date of this Annual Report on Form 10-K.

The following table summarizes our liquidity:

	<b>Successor</b>	
	<b>July 31, 2024</b>	<b>July 31, 2023</b>
	<b>(In thousands)</b>	
Cash and cash equivalents	\$ 248,614	\$ 121,372
Readily available borrowing capacity under Umpqua Revolver	\$ 11,890	11,890
	<u>\$ 260,504</u>	<u>\$ 133,262</u>

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Consolidated net working capital was \$220.8 million at July 31, 2024, compared with \$251.5 million at July 31, 2023. Included in net working capital were cash and cash equivalents of \$248.6 million at July 31, 2024 and \$121.4 million at July 31, 2023.

The following summarizes the sources and uses of cash for the Predecessor and Successor periods, which relate to the period preceding and periods succeeding the Exchange Transaction with Steel Holdings, respectively. The sources and uses of cash for the fiscal year ended July 31, 2024 and for the Combined Fiscal Year Ended July 31, 2023 Period are comparable unless otherwise noted that as a result of pushdown accounting the periods are not comparable.

	Successor		Predecessor	Combined Fiscal		Change
	Fiscal Year Ended July 31, 2024	May 1 to July 31, 2023	August 1, 2022 to April 30, 2023	Year Ended July 31, 2023 Period		
(In thousands)						
Net cash provided by operating activities	\$ 21,848	\$ 8,523	\$ 9,000	\$ 17,523	\$ 4,325	
Net cash provided by investing activities	108,582	52,838	736	53,574	55,008	
Net cash used in financing activities	(2,135)	(3,825)	(2,780)	(6,605)	4,470	

*Net cash provided by operating activities*

Net cash provided by operating activities was \$21.8 million for the fiscal year ended July 31, 2024 compared to \$17.5 million net cash provided by operating activities for the Combined Fiscal Year Ended July 31, 2023 Period. The Company's future cash flows related to operating activities are dependent on several factors, including profitability, accounts receivable collections, effective inventory management practices and optimization of the credit terms of certain vendors of the Company, and overall performance of the technology sector impacting the Supply Chain segment. The \$4.3 million increase is primarily attributable to increased net income adjusted for non-cash items, offset partially by a slight unfavorable change in the net changes in operating assets and liabilities compared to the prior year. Net changes in operating assets and liabilities resulted in \$13.5 million of cash used in operating activities for the fiscal year ended July 31, 2024, compared to \$11.4 million of cash used in operating activities for the Combined Fiscal Year Ended July 31, 2023 Period. The \$2.1 million increase in cash used in operating activities compared to the prior year is primarily attributable to net increases in accounts receivable, offset by favorable changes in accounts payable and accrued expenses, inventory, and other assets and liabilities.

*Net cash provided by investing activities*

Net cash provided by investing activities was \$108.6 million for the fiscal year ended July 31, 2024, and was driven primarily by proceeds from the sale of securities, specifically: (1) the \$154.5 million cash receipt in August 2023 for the remaining proceeds receivable from the disposition of the Aerojet shares in the prior year and; (2) \$3.4 million in proceeds from the sale of equity securities. This activity was partially offset by purchases of investments totaling \$45.4 million and \$4.0 million from spend on capital expenditures.

Net cash provided by investing activities was \$53.6 million for the Combined Fiscal Year Ended July 31, 2023 Period and was driven primarily by proceeds from the sale of securities, specifically: (1) \$53.3 million received for the disposal of the Company's interest in Aerojet; and (2) \$2.3 million in proceeds received related to the Company's previously held interest in an investment. This activity was partially offset by \$2.1 million in capital expenditures.

*Net cash used in financing activities*

The \$2.1 million of cash used in financing activities for the fiscal year ended July 31, 2024 was for dividend payments on the Series C Convertible Preferred Stock.

The \$6.6 million of cash used in financing activities during the Combined Fiscal Year Ended July 31, 2023 Period was related to: (1) \$2.3 million payments for fractional shares resulting from Reverse/Forward Stock Split; (2) \$2.0 million repayments on the SPHG Note and \$0.1 million financing costs for the SPHG Note amendment; and (3) \$2.1 million for dividend payments on the Series C Convertible Preferred Stock.

The following is a summary of the Company's outstanding debt and financing agreements and preferred stock. Refer to Note 10 - "Debt" and Note 24 - "Related Party Transactions" to our consolidated financial statements for further information.

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### *7.50% Convertible Senior Note*

On February 28, 2019, the Company entered into that certain 7.50% Convertible Senior Note Due 2024 Purchase Agreement with SPHG Holdings whereby SPHG Holdings loaned the Company \$14.9 million in exchange for a 7.50% Convertible Senior Note due 2024 (the "SPHG Note"). The SPHG Note bears interest at the fixed rate of 7.50% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2019. As of July 31, 2024, the SPHG Note was convertible into 584,055 shares of Common Stock.

On March 9, 2023 (the "Amendment Date"), the Company and SPHG Holdings entered into an amendment to the SPHG Note (the "SPHG Note Amendment"). Pursuant to the SPHG Note Amendment, the maturity date of the SPHG Note was extended to September 1, 2024 from its original maturity date of March 1, 2024. In addition, the Company repaid \$1.0 million in principal amount of the SPHG Note on the Amendment Date, and repaid an additional \$1.0 million principal amount of the note on June 9, 2023. In connection with the SPHG Note Amendment, the Company paid SPHG Holdings a cash amendment fee of \$0.1 million, and derecognized \$0.2 million of the debt discount in proportion to the reduction of the principal balance during fiscal year 2023. No other changes were made to the terms of the SPHG Note besides the items discussed.

The SPHG Note matured on September 1, 2024, and the Company paid off the outstanding principal and accrued interest for the SPHG Note upon its maturity.

As of July 31, 2024 and 2023, outstanding debt in both periods consisted of the \$12.9 million 7.50% Convertible Senior Note due September 1, 2024. As of July 31, 2024 and July 31, 2023, the fair value of the SPHG Note was \$12.9 million and \$12.5 million, respectively.

### *Umpqua Revolver*

ModusLink, as borrower, is party to a revolving credit agreement with Umpqua Bank as lender and as agent. The Umpqua Revolver provides for a maximum credit commitment of \$12.5 million and a sublimit of \$5.0 million for letters of credit. On May 1, 2024, ModusLink, entered into a Second Amendment to Umpqua Revolver (the "Second Amendment"). Among other things, the Second Amendment (i) extended the maturity date with respect to revolving loans from March 31, 2025 to March 31, 2026, (ii) removed certain adjustments in the definition of "Adjusted EBITDA" as set forth in the Umpqua Revolver, (iii) increased the minimum Adjusted Tangible Net Worth (as defined in the credit agreement) and (iv) removed certain caps and conditions on ModusLink's ability to pay dividends. Steel Connect is not a borrower or a guarantor under the Umpqua Revolver.

As of July 31, 2024, ModusLink was in compliance with the Umpqua Revolver's covenants, and believes it will remain in compliance with the Umpqua Revolver's covenants for the next twelve months from the date of filing this Annual Report on Form 10-K. As of July 31, 2024, ModusLink had available borrowing capacity of \$11.9 million and there was \$0.6 million outstanding letters of credit.

ModusLink believes that if dividends to the Company are required, it would have access to adequate resources to meet its operating needs while remaining in compliance with the Umpqua Revolver's covenants over the next twelve months. However, there can be no assurances that ModusLink will continue to have access to its line of credit under the Umpqua Revolver if its financial performance does not satisfy the financial covenants set forth in its financing agreement, which could also result in the acceleration of its debt obligations by its lender, adversely affecting liquidity.

### *Series C Preferred Stock*

On December 15, 2017, the Company entered into a Preferred Stock Purchase Agreement (the "Purchase Agreement") with SPHG Holdings, pursuant to which the Company issued 35,000 shares of the Company's newly created Series C Convertible Preferred Stock, par value \$0.01 per shares, or the Preferred Stock, to SPHG Holdings at a price of \$1,000 per share, for an aggregate purchase consideration of \$35.0 million (the "Preferred Stock Transaction"). The terms, rights, obligations and preferences of the Preferred Stock are set forth in a Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock of the Company (the "Series C Certificate of Designations"), which has been filed with the Secretary of State of the State of Delaware.

Under the Series C Certificate of Designations, each share of Preferred Stock can be converted into shares of the Company's Common Stock at an initial conversion price equal to \$18.29 per share, subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction. Holders of the Preferred Stock will also receive dividends at 6% per annum payable, at the Company's option, in cash or Common Stock. If at any time the closing bid price of the Company's Common Stock exceeds 170% of the conversion price for at least five consecutive trading days (subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction), the

Company has the right to require each holder of Preferred Stock to convert all, or any whole number, of shares of the Preferred Stock into Common Stock.

Upon the occurrence of certain triggering events such as a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or the merger or consolidation of the Company or significant subsidiary, or the sale of substantially all of the assets or capital stock of the Company or a significant subsidiary, the holders of the Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of other equity or equity equivalent securities of the Company other than the Preferred Stock by reason of their ownership thereof, an amount per share in cash equal to the sum of (i) 100% of the stated value per share of Preferred Stock (initially \$1,000 per share) then held by them (as adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transactions with respect to the Preferred Stock), plus (ii) 100% of all declared but unpaid dividends, and all accrued but unpaid dividends on each such share of Preferred Stock, in each case as the date of the triggering event.

On or after December 15, 2022, each holder of Preferred Stock can also require the Company to redeem its Preferred Stock in cash at a price equal to the Liquidation Preference (as defined in the Series C Certificate of Designations), or approximately \$35.0 million. If holders of the Preferred Stock exercise this right to require the Company to redeem all the Preferred Stock, payment of the redemption price would likely adversely impact the Company's liquidity and ability to finance its operations.

#### *Series E Preferred Stock*

On May 1, 2023, the Company and Steel Holdings executed a series of agreements in which the Steel Partners Group agreed to transfer certain marketable securities held by the Steel Partners Group to Steel Connect in exchange for 3.5 million shares of Series E Convertible Preferred Stock of Steel Connect (the "Series E Convertible Preferred Stock", and, such transfer the "Transfer and Exchange Agreement"). Following the approval by the Company's stockholders at the special stockholders' meeting held on June 6, 2023 pursuant to the rules of the Nasdaq Capital Market (the "Stockholder Approval"), the Series E Convertible Preferred Stock is convertible into an aggregate of 19.8 million shares of the Company's common stock (the "Common Stock"), and will vote together with the Common Stock and participate in any dividends paid on the Common Stock, in each case on an as-converted basis.

The terms, rights, obligations and preferences of the Series E Convertible Preferred Stock are set forth in a Certificate of Designations, Preferences and Rights of Series E Convertible Preferred Stock of the Company (the "Series E Certificate of Designations"), which are summarized below:

Any holder of the Series E Convertible Preferred Stock ("Holder"), may, at its option, convert all or any shares of Series E Convertible Preferred Stock held by such Holder into Common Stock based on a conversion price of \$10.27 (the "Conversion Price") per share, subject to appropriate adjustments for any stock dividend, stock split, stock combination, or similar transaction by delivering to the Company a conversion notice.

Holders are entitled to participate equally and ratably with the holders of shares of Common Stock in all dividends or other distributions on the shares of Common Stock as if, immediately prior to each record date for payment of dividends or other distributions on the Common Stock, shares of the Series E Convertible Preferred Stock then outstanding were converted into shares of Common Stock. Dividends or other distributions payable will be payable on the same date that such dividends or other distributions are payable to holders of shares of Common Stock, and no dividends or other distributions will be payable to holders of shares of Common Stock unless dividends or such other distributions are also paid at the same time in respect of the Series E Convertible Preferred Stock.

Upon the occurrence of certain triggering events such as a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, any merger or consolidation in which the Company is a constituent party or a significant subsidiary is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation such that the stockholders of the Company prior to such merger or consolidation hold less than 50.0% of the aggregate voting securities of the Company following such merger or consolidation, or the sale of substantially all of the assets or capital stock of the Company or a significant subsidiary (collectively, or any of these, a "Liquidation Event(s)"), the holders of the Series E Convertible Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Common Stock by reason of their ownership thereof, an amount per share in cash equal to \$58.1087 (as adjusted for any stock split, stock dividend, stock combination or other similar transactions with respect to the Series E Convertible Preferred Stock ("the Series E Convertible Preferred Stock Liquidation Preference"). In the event that the Series E Convertible Preferred Stock Liquidation Preference is not paid with respect to any shares of Series E Convertible

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Preferred Stock as required to be paid, such shares shall continue to be entitled to dividends and all such shares shall remain outstanding and entitled to all the rights and preferences provided within the Series E Certificate of Designations.

Neither the Company nor the Holder has any rights to redeem the Series E Convertible Preferred Stock.

Each Holder of the Series E Convertible Preferred Stock is entitled to vote with holders of outstanding shares of Common Stock, voting together as a single class, with respect to any and all matters presented to the stockholders of the Company for their action or consideration (whether at a meeting of stockholders of the Company, by written action of stockholders in lieu of a meeting or otherwise), except as provided by law. In any such vote, each holder shall be entitled to a number of votes equal to the largest number of whole shares of Common Stock into which all shares of Series E Convertible Preferred Stock held of record by such holder is convertible as of the record date for such vote or written consent or, if there is no specified record date, as of the date of such vote or written consent.

### Contractual Obligations

Our principal uses of cash will be to provide working capital, meet debt service requirements, fund capital expenditures and execute management's strategic plans. As of July 31, 2024, we had contractual cash obligations to repay debt, make payments under operating leases, and make dividend payments. As of July 31, 2024, payments due under these long-term obligations are as follows:

	Less than 1 year	2-3 years	4-5 years	More than 5 years	Total
	(In thousands)				
Debt <sup>(1)</sup>	\$ 12,903	—	\$ —	\$ —	\$ 12,903
Interest payments <sup>(2)</sup>	496	—	—	—	496
Operating lease liabilities	9,454	10,879	2,640	—	22,973
Series C Preferred dividend payments	2,100	4,200	4,200	†	10,500

(1) Represents principal amount of SPHG Note, which was paid off at maturity in September 2024.

(2) Represents expected interest payments on SPHG Note.

† Holders of the Preferred Stock receive dividends at 6% per annum. In addition, beginning December 15, 2022, each holder of the Preferred Stock can require the Company to redeem its Preferred Stock in cash at a price equal to the Liquidation Preference (as defined in Series C Certificate of Designations).

### Critical Accounting Estimates

Our significant accounting policies are discussed in Note 2 - "Summary of Significant Accounting Policies" to our audited consolidated financial statements. The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to: (1) revenue recognition; (2) valuation allowances for trade and other receivables and inventories; (3) the valuation of goodwill, indefinite-lived intangible assets, and long-lived assets; (4) contingencies, including litigation reserves; (5) restructuring charges and related severance expenses; (6) income taxes; (7) pension obligations; (8) business combinations; and (9) incremental borrowing rates to determine present value of lease payments. Of the accounting estimates we routinely make relating to our critical accounting policies, those estimates made in the process of: recognition of revenue; determining the valuation of inventory and related reserves; accounting for impairment of long-lived assets; and establishing income tax valuation allowances and liabilities are the estimates most likely to have a material impact on our financial position and results of operations. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Changes in estimates are reflected in the periods in which they become known. However, because these estimates inherently involve judgments and uncertainties, there can be no assurance that actual results will not differ materially from those estimates.

We believe that our critical accounting estimates have the following attributes: (1) we are required to make assumptions about matters that are uncertain and require judgment at the time of the estimate; (2) use of reasonably different assumptions could have changed our estimates, particularly with respect to recoverability of assets; and (3) changes in the estimate could have a material effect on our financial condition or results of operations. We believe the critical accounting policies below contain the more significant judgments and estimates used in the preparation of our financial statements:

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- *Revenue recognition*
- *Income taxes*
- *Leases*
- *Acquisition accounting*
- *Goodwill and other intangible assets, net*

### *Revenue Recognition*

The Company recognize revenue based on the transfer of control of goods and services and apply the following five-step approach: (1) identification of a contract with a customer, (2) identification of the performance obligations in the contract, (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations in the contract and (5) recognition of revenue as performance obligations are satisfied.

Applying the five-step approach in determining whether to recognize revenue at a point in time or over time requires significant judgement. Revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Significant judgement is required to determine when control passes to the customer and whether and when our performance obligations have been satisfied. This determination can significantly affect the timing of recognizing revenue.

#### *Supply chain management services*

ModusLink's revenue primarily comes from the sale of supply chain management services to its clients. Amounts billed to customers under these arrangements include revenue attributable to the services performed as well as for materials procured on the customer's behalf as part of its service to them. The majority of these arrangements consist of two distinct performance obligations (i.e, warehousing/inventory management service and a separate kitting/packaging/assembly and fulfillment service), revenue related to each of which is recognized over time as services are performed using an input method based on the level of efforts expended.

For certain customer contracts, the Company recognizes the sale of certain inventorable goods at a point in time when control of those goods is transferred to clients. However, for sales recognized at a point in time, the timing of recognition is not significantly different than over time.

#### *Other*

Other revenue consists of cloud-based software subscriptions, software maintenance and support service contracts, fees for professional services and fees for the sale of perpetual software licenses in ModusLink's e-Business operations. Except for perpetual software licenses, revenue related to these arrangements is recognized on a straight-line basis over the term of the agreement or over the term of the agreement in proportion to the costs incurred in satisfying the obligations under the contract.

#### *Performance Obligations and Standalone Selling Price*

The Company's contracts with customers may include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require certain judgment. For arrangements with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price. Judgment is required to determine the standalone selling price for each distinct performance obligation. The Company generally determines standalone selling prices based on the prices charged to customers and uses a range of amounts to estimate standalone selling prices when we sell each of the products and services separately and need to determine whether there is a discount that needs to be allocated based on the relative standalone selling prices of the various products and services. The Company typically has more than one range of standalone selling prices for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, the Company may use information such as the type of customer and geographic region in determining the range of standalone selling prices.

#### *Variable Consideration*

The Company may provide credits or incentives to customers, which are accounted for as variable consideration when estimating the transaction price of the contract and amounts of revenue to recognize. The amount of variable consideration to include in the transaction price is estimated at contract inception using either the

estimated value method or the most likely amount method based on the nature of the variable consideration. These estimates are updated at the end of each reporting period as additional information becomes available and revenue is recognized only to the extent that it is probable that a significant reversal of any amounts of variable consideration included in the transaction price will not occur.

#### *Principal Versus Agent Revenue Recognition*

For revenue generated from contracts with customers involving another party, the Company evaluates whether it is acting as the principal or the agent in the transaction. This determination requires significant judgment and impacts the amount and timing of revenue recognized. The Company determines whether it is a principal or an agent, which is dependent on whether the Company has control of the specified goods or services before they are transferred to the customer, whether the Company is primarily responsible for fulfillment, whether the Company has inventory risk and whether the Company has latitude in establishing price. Revenues are recognized on a gross basis if the Company is acting in the capacity of a principal and on a net basis if it's acting in the capacity of an agent.

#### *Income Taxes*

The Company has net operating loss carryforwards for federal and state tax purposes of approximately \$321.6 million and \$116.1 million, respectively, as of July 31, 2024. As of July 31, 2024, approximately \$30.8 million of net operating loss carryforwards for federal and state tax purposes expired. Income taxes are accounted for under the provisions of ASC 740, *Income Taxes* ("ASC 740"), using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology is subjective and requires significant estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities.

As of July 31, 2023, a valuation allowance had been recorded against the Company's deferred tax assets in the U.S. and certain of its foreign subsidiaries as management believed that after considering all the available objective evidence, both positive and negative, historical and prospective, with greater weight given to historical evidence, it was more likely than not that these assets would not be realized. During the fiscal year ended July 31, 2024, the Company reassessed the need for a valuation allowance against its deferred tax assets. In conducting this assessment, the Company evaluated its pre-tax income over the prior three years, concluding this resulted in cumulative pre-tax income, including nine of the past twelve fiscal quarters, given the Company's disposal of IWCO Direct Holdings, Inc. on February 25, 2022. In assessing pre-tax income, the Company considered current sources of revenue and future cash flows, based on management's current expectations. The Company also considered its history of NOLs expiring unused, but also recognized that it does not expect further losses in early future years and is not aware of unsettled circumstances that would adversely affect future operations, other than as described elsewhere herein. As described further in Note 17 - "Income Taxes", the Company has \$96.6 million of NOLs that do not expire and anticipates being able to utilize the remaining \$225.0 million of U.S. federal NOLs prior to their expiration without any tax planning strategies designed to accelerate their utilization.

After considering historical and projected future taxable income and existing taxable temporary differences, the Company determined during the third quarter of fiscal year 2024 that it was more likely than not that the deferred tax assets will be realized. At that time, the Company released substantially all of its valuation allowance on the NOLs carried forward after July 31, 2024, other than the valuation allowance relating to approximately \$0.9 million of state NOLs that the Company anticipates will expire unutilized. This release of the valuation allowance resulted in a non-cash income tax benefit of \$71.5 million during the third quarter of fiscal year 2024.

A valuation allowance has also been recorded against the gross deferred tax asset in certain foreign subsidiaries because management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, it is more likely than not that certain assets will not be realized. The net change in the total valuation allowance for the fiscal year ended July 31, 2023, was a decrease of approximately \$390.7 million.

In addition, the calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several tax jurisdictions. The Company is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing

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positions, we record estimated reserves for exposures. Based on our evaluation of current tax positions, the Company believes it has appropriately accrued for exposures as of July 31, 2024.

### *Leases*

In order to calculate the operating ROU asset and operating lease liability for a lease, a lessee is required to apply a discount rate equal to the rate implicit in the lease whenever that rate is readily determinable. The Company's lease agreements generally do not provide a readily determinable implicit rate, nor is the rate available to the Company from its lessors and, therefore, the Company determines an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar lease term to obtain an asset of similar value.

### *Acquisition Accounting*

The Exchange Transaction with Steel Holdings was accounted for as a business combination under the acquisition method of accounting in accordance with ASC 805, *Business Combinations* ("ASC 805") with Steel Holdings being the accounting acquirer. The Company elected to apply pushdown accounting. As required by ASC 805, assets acquired and liabilities assumed in a business combination are recorded at their respective fair values as of the business combination date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Significant judgement is required in determining the acquisition date fair value of the assets acquired and liabilities assumed predominantly with respect to debt and intangible assets. We use available information to make these fair value determinations and, when necessary, engage an independent valuation specialist to assist in the fair value determination of the acquired long-lived assets. Significant judgment may be used to determine these fair values, including the use of appraisals, discounted cash flow models, market value for similar purchases or other methods applicable to the circumstances. The assumptions and judgments made by the Company when recording business combinations will have an impact on reported results of operations in the future. During the measurement period, which is not to exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on the determination of the fair value of the intangible assets acquired. Judgment is also required in determining the intangible asset's useful life.

### *Goodwill and Other Intangible Assets, Net*

Goodwill, which is not amortized, represents the difference between the purchase price and the fair value of identifiable net assets acquired in a business combination. Goodwill is tested for impairment at a reporting unit level, and all of the Company's goodwill is assigned to its reporting units. Reporting units are determined based upon the Company's organizational structure in place at the date of the goodwill impairment testing and are generally one level below the operating segment level. The Company tests goodwill annually for impairment, and additionally on an interim basis, if events occur or circumstances change that would indicate the carrying amount may be impaired. Examples of such events would include pertinent macroeconomic conditions, industry and market considerations, overall financial performance and other factors. An entity can choose between using a qualitative impairment test often referred to as "Step 0" or a quantitative impairment test often referred to as "Step 1".

For the Step 0 approach, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity has an unconditional option to bypass the Step 0 assessment for any reporting unit in any period and proceed directly to performing a Step 1 of the goodwill impairment test. An entity may resume performing the Step 0 assessment in any subsequent period. For the Step 1 approach, which is a quantitative approach, the Company will calculate the fair value of a reporting unit and compare it to its carrying amount. There are several methods that may be used to estimate a reporting unit's fair value, including the income approach, the market approach and/or the cost approach. The amount of impairment, if any, is determined by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge based on the amount that the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total goodwill allocated to the reporting unit.

For finite-lived intangible assets, the Company evaluates the carrying amount of such assets when circumstances indicate the carrying amount may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, condition of the asset or plans to dispose of the asset before the end of

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its useful life. If the assets' carrying amounts exceed the sum of the undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying amounts exceeds their fair values. The Company performs such assessments at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, which is generally at the plant level, operating company level or the reporting unit level, depending on the level of interdependencies in the Company's operations.

Indefinite-lived intangible assets are tested for impairment at least annually, or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Companies can use the same two testing approaches for indefinite-lived intangibles as for goodwill.

The Company's annual impairment test date is June 1st each year. For the fiscal year ended July 31, 2024, the Company utilized a quantitative approach for its single reporting unit. The assessment was based on a combination of income and market approaches to estimate the fair value of the reporting unit, which indicated that the fair value of the reporting unit exceeded its respective carrying value. Significant assumptions used in the discounted cash flow analysis included expected future earnings and cash flows, which are based on management's current expectations, as well as the related risk-adjusted discount rate used to estimate fair value. There were no goodwill impairment charges recorded as a result of this assessment. At July 31, 2024, the goodwill related to the Supply Chain reporting unit is at risk of future impairment if the fair value of this reporting unit, and its associated assets, decrease in value due to the amount and timing of expected future cash flows, decreased customer demand for Supply Chains' services, an inability to execute management's business strategies, or general market conditions, such as economic downturns, and changes in interest rates, including discount rates. Future cash flow estimates are, by their nature, subjective, and actual results may differ materially from the Company's estimates. If the Company's ongoing cash flow projections are not met or if market factors utilized in the impairment test deteriorate, including an unfavorable change in the terminal growth rate or the weighted-average cost of capital, the Company may have to record impairment charges in future periods. As of July 31, 2024 the Supply Chain reporting unit had \$19.7 million of goodwill and its fair value exceeded its net book value by 12%.

For the fiscal year ended July 31, 2024, the Company applied the relief-from-royalty method under the income approach to value the trade name indefinite-lived intangible asset. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Significant assumptions used included the amount and timing of projected revenues, growth rates, royalty rates, discount rates, and tax amortization benefit. There were no impairment charges recorded as a result of this assessment. At July 31, 2024, the trade name indefinite-lived intangible asset is at risk of future impairment if the fair value of the trade name decreases in value due to unfavorable changes in the weighted-average cost of capital, revenue growth rates, or royalty rates. As of July 31, 2024 the trade name indefinite-lived intangible asset's fair value exceeded its net book value by 10%.

The estimates of future cash flows used in impairment testing are made at a point in time, involve considerable management judgment, and are based upon assumptions about expected future operating performance, assumed royalty rates, economic conditions, market conditions and cost of capital. Inherent in estimating the future cash flows are uncertainties beyond our control. The actual cash flows could differ materially from management's estimates due to changes in business conditions, customer demand, operating performance and economic conditions. If our assumptions change or market conditions decline, potential impairment charges could result.

### **Recent Accounting Pronouncements**

For a discussion of the Company's new or recently adopted accounting pronouncements, see Note 2 - "Summary of Significant Accounting Policies" to the consolidated financial statements found elsewhere in this Annual Report.

### **Tax Benefits Preservation**

Our past operations generated significant net operating losses, or NOLs. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was enacted in response to the COVID-19 pandemic which among, other things, amends the treatment of NOLs. Under federal tax laws, for NOLs arising in tax years beginning before January 1, 2018, we generally can use any such NOLs and certain related tax credits to reduce ordinary income tax paid in our prior two tax years or on our future taxable income for up to 20 years, at which point they "expire" for such purposes. Until they expire, we can "carry forward" NOLs and certain related tax credits that we do not use in any particular year to offset taxable income in future years. For NOLs arising in tax years beginning after December 31, 2017 and before January 1, 2021, we are allowed to carryback such NOLs to each of the five taxable years preceding the taxable year of such losses and generally can use any such NOLs and certain related tax credits to reduce ordinary income tax paid on our future taxable income indefinitely. For NOLs arising in tax years beginning after December 31, 2020, we generally can use such NOLs and certain related tax credits to reduce ordinary income

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tax paid on our future taxable income indefinitely; however, any such NOLs cannot be used to reduce ordinary income tax paid in prior tax years. In addition, the deduction for NOLs arising in tax years beginning after December 31, 2020 is limited to 80% of our taxable income for any tax year (computed without regard to the NOL deduction and subject to certain other adjustments). The Company had net NOL carryforwards for federal and state tax purposes of approximately \$321.6 million and \$116.1 million, respectively, at July 31, 2024. Of the total U.S. federal NOLs, \$96.6 million does not expire and the remaining carry-forwards of \$225.0 million will expire at various dates beginning in 2027 through 2038. We cannot estimate the exact amount of NOLs that we will be able use to reduce future income tax liability because we cannot predict the amount and timing of our future taxable income. For more information, see "Part I, Item 1A. Risk Factors—Risks Related to Taxation—We may be unable to realize the benefits of our net operating loss carry-forwards and other tax benefits (collectively, the 'NOLs' or 'Tax Benefits').".

In early 2018, the Company's board of directors adopted the Protective Amendment which is designed to preserve the Company's ability to utilize its NOLs, by preventing an "ownership change" within the meaning of Section 382 of the Internal Revenue Code that would impair the Company's ability to utilize its NOLs. Later that year, the stockholders of Steel Connect approved the Protective Amendment.

The federal NOLs will expire from fiscal year 2023 through 2038, and the state NOL will expire from fiscal year 2026 through 2042. The Company's ability to use its Tax Benefits would be substantially limited if the Company undergoes an Ownership Change. The Protective Amendment is intended to prevent an Ownership Change of the Company that would impair the Company's ability to utilize its Tax Benefits.

The Protective Amendment generally restricts any direct or indirect transfer if the effect would be to (i) increase the direct, indirect or constructive ownership of any stockholder from less than 4.99% to 4.99% or more of the shares of common stock then outstanding or (ii) increase the direct, indirect or constructive ownership of any stockholder owning or deemed to own 4.99% or more of the shares of common stock then outstanding. Pursuant to the Protective Amendment, any direct or indirect transfer attempted in violation of the Protective Amendment would be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of the shares would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the Protective Amendment (the "excess stock") for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such shares, or in the case of options, receiving shares in respect of their exercise. In addition to a prohibited transfer being void as of the date it is attempted, upon demand, the purported transferee must transfer the excess stock to an agent of the Company along with any dividends or other distributions paid with respect to such excess stock. The agent is required to sell such excess stock in an arm's-length transaction (or series of transactions) that would not constitute a violation under the Protective Amendment.

The Protective Amendment does not expire. For more information, see "Part I, Item 1A. Risk Factors—Risks Related to Taxation—We may be unable to realize the benefits of our net operating loss carry-forwards and other tax benefits (collectively, the 'NOLs' or 'Tax Benefits').".

### **ITEM 7A.— QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Consistent with the rules applicable to "Smaller Reporting Companies" we have omitted information required by this Item.

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ITEM 8.— FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Steel Connect, Inc.  
New York, New York

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheet of Steel Connect Inc. and subsidiaries (the "Company") as of July 31, 2024, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows, for the year ended July 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2024, and the results of its operations and its cash flows for the year ended July 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

**Income Taxes — Realizability of Deferred Tax Assets Related to Steel Connect Inc. — Refer to Notes 2 and 17 to the financial statements.**

*Critical Audit Matter Description*

Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology is subjective and requires significant estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities.

During fiscal year ended July 31, 2024, the Company reassessed the need for a valuation allowance against deferred tax assets by evaluating pre-tax income over the prior three years, concluding this resulted in cumulative pre-tax income. In assessing pre-

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tax income, the Company considered current sources of revenue and future cash flows and after considering historical and projected future taxable income and existing taxable temporary differences, management determined that it was more likely than not that the deferred tax assets would be realized. As a result, the Company released substantially all of its valuation allowance on the NOLs carried forward after July 31, 2024, other than the valuation allowance relating to approximately \$0.9 million of state NOLs that the Company anticipates will expire unutilized. This release of the valuation allowance resulted in a non-cash income tax benefit of \$71.5 million in the third quarter of fiscal year 2024.

We identified management's determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets as a critical audit matter because of the significant judgments and estimates management makes related to taxable income. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists and assistance of our firm's professionals with expertise in the accounting for income taxes, when performing audit procedures to evaluate the reasonableness of management's estimates of taxable income.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets included the following, among others:

- With the assistance of our firm's professionals with expertise in the accounting for income taxes, we evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether the deferred tax assets would be realized in the future.
- With the assistance of our income tax specialists, we evaluated whether the sources of management's estimated future taxable income were of the appropriate character and sufficient to utilize the deferred tax assets under the relevant tax law prior to expiration.
- We tested the reasonableness of management's estimates of taxable income by comparing the estimates to:
  - Internal budgets.
  - Historical taxable income, as adjusted for nonrecurring items.
  - Internal communications to management and the Board of Directors.
  - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- We evaluated whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit.

### **Goodwill and Indefinite-lived Intangible Asset— Refer to Notes 2 and 7 to the financial statements.**

#### *Critical Audit Matter Description*

The Company's annual impairment test date for goodwill and its indefinite-lived intangible asset is June 1st each year.

The Company utilized a quantitative approach for its single reporting unit, Supply Chain, for goodwill impairment testing. The assessment was based on a combination of income and market approaches to estimate the fair value of the reporting unit, which indicated that the fair value of the reporting unit exceeded its respective carrying value. Significant assumptions used in the discounted cash flow analysis included expected future earnings and cash flows, which are based on management's current expectations, as well as the related risk-adjusted discount rate used to estimate fair value. There were no goodwill impairment charges recorded as a result of this assessment. As of July 31, 2024, the Company's single reporting unit, Supply Chain, had \$19.7 million of goodwill and its fair value exceeded its carrying value by 12%.

The Company has a trade name, an indefinite-lived intangible asset, in the amount of \$10.5 million as of July 30, 2024. The Company's evaluation of the trade name for impairment involves the comparison of the fair value of its trade name to its carrying value. Management estimates the fair value of the trade name annually on its elected assessment date using the relief-from-royalty method under the income approach. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. Significant assumptions used included projected revenues, royalty rate, and discount rate. As of July 31, 2024, the trade name indefinite-lived intangible asset's fair value exceeded its net book value by 10%.

Given the significant judgments made by management to estimate the fair value of the Supply Chain reporting unit and trade name and the difference between the respective fair values and carrying values, performing audit procedures to evaluate management's estimate and assumptions related to the discount rate, royalty rate, and projected revenues, earnings and cash flows required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the discount rates, royalty rate, and projected revenues, earnings, and cash flows used by management to estimate the fair value of the Supply Chain reporting unit and trade name included the following, among others:

- We evaluated management's ability to accurately forecast expected future earnings and cash flows as well as projected revenues by comparing actual results to management's historical forecasts.
- We evaluated whether the estimates made by management were consistent with evidence obtained in other areas of the audit.
- We evaluated the reasonableness of management's expected future earnings and cash flows as well as projected revenue, by comparing the forecasts to:
  - Historical revenues and expected future earnings.
  - Internal communications to management and the Board of Directors.
  - Forecasted information included in Company press releases as well as in analyst and industry reports for the Company and certain of its peer companies.
- We considered the impact of industry, market conditions and macroeconomic factors that could impact management's expected future earnings and projected revenue.
- We evaluated the impact of changes in management's projected revenues and expected future earnings from the June 1, 2024, annual measurement date to July 31, 2024.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology (2) discount rate and (3) royalty rate, by:
  - Testing the underlying source information of the discount rate and royalty rate and mathematical accuracy of the calculation.
  - Developing a range of independent estimates and comparing those to the discount rate and royalty rate selected by management.

**Revenue Recognition – Principal versus Agent - Refer to Notes 2 and 14 to the financial statements.**

*Critical Audit Matter Description*

The Company recognizes revenue from its contracts with customers primarily from the sale of supply chain management services. For revenue generated from contracts with customers involving another party, the Company evaluates whether it is acting as the principal or the agent in the transaction. This determination requires significant judgment and impacts the amount and timing of revenue recognized. The Company determines whether it is a principal or an agent, which is dependent on whether the Company has control of the specified goods or service before they are transferred to the customer, whether the Company is primarily responsible for fulfillment, whether the Company has inventory risk and whether the Company has latitude in establishing price. Revenues are recognized on a gross basis if the Company is acting in the capacity of a principal and on a net basis if it's acting in the capacity of an agent.

Auditing the Company's determination of principal versus agent recognition of certain contracts for supply chain management Services involved a high degree of subjectivity as it required the evaluation of whether the Company maintained control of specified goods. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve professionals in our firm with expertise in evaluating revenue arrangements.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to evaluation of the principal versus agent revenue recognition indicators, included the following, among others:

- We obtained and evaluated a sample of contracts with customers for consistency of the application of Company's accounting policy of the principal versus agent revenue recognition.
- We evaluated the appropriateness of management's revenue recognition policy, including principal versus agent considerations by assessing the Company's accounting memorandum related to the arrangements as well as by performing corroborative management inquiries and assessing operational practices in connection with the Company's contract execution.
- We evaluated management's revenue recognition accounting conclusion with the assistance of professionals in our firm with expertise in evaluating revenue arrangements.

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/s/ DELOITTE & TOUCHE LLP  
New York, NY  
November 6, 2024

We have served as the Company's auditor since 2024.

**Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Steel Connect, Inc.  
New York, New York

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Steel Connect, Inc. (the "Company") as of July 31, 2023 (Successor), the related consolidated statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the period from May 1, 2023 through July 1, 2023 (Successor), and the period from August 1, 2022 through April 30, 2023 (Predecessor), and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at July 31, 2023, and the results of its operations and its cash flows for the period from May 1, 2023 through July 1, 2023 (Successor), and the period from August 1, 2022 through April 30, 2023 (Predecessor) in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, P.C.

We served as the Company's auditor from 2014 to 2023.

New York, NY  
November 8, 2023

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	Successor	
	July 31, 2024	July 31, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 248,614	\$ 121,372
Accounts receivable, trade, net of allowance for credit losses of \$ 169 and \$ 219 at July 31, 2024 and 2023, respectively	33,443	28,616
Inventories, net	6,733	8,569
Funds held for clients	2,576	2,031
Prepaid expenses and other current assets	4,462	158,686
Total current assets	295,828	319,274
Property and equipment, net	5,536	3,698
Operating lease right-of-use assets	20,748	27,098
Investments	41,376	—
Other intangible assets, net	31,036	34,589
Goodwill	19,703	22,785
Deferred tax asset	68,315	317
Other assets	3,086	3,420
Total assets	\$ 485,628	\$ 411,181
<b>LIABILITIES, CONTINGENTLY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 25,219	\$ 26,514
Accrued expenses	21,659	26,774
Funds held for clients	2,532	1,949
Current lease obligations	8,319	7,973
Convertible note payable	12,903	—
Other current liabilities	4,423	4,544
Total current liabilities	75,055	67,754
Convertible note payable	—	12,461
Long-term lease obligations	12,740	19,161
Other long-term liabilities	5,913	5,442
Total long-term liabilities	18,653	37,064
Total liabilities	93,708	104,818
Commitments and contingencies (Note 12)		
Contingently redeemable preferred stock:		
Series C contingently redeemable preferred stock, \$ 0.01 par value per share. 35,000 shares authorized, issued and outstanding at July 31, 2024 and 2023	35,006	35,006
Series E contingently redeemable preferred stock, \$ 0.01 par value per share. 3,500,000 shares authorized, issued and outstanding at July 31, 2024 and 2023	202,733	202,733
Total contingently redeemable preferred stock	237,739	237,739
Stockholders' equity:		
Preferred stock, \$ 0.01 par value per share. 4,965,000 shares authorized at July 31, 2024 and 2023; zero shares issued and outstanding at July 31, 2024 and 2023	—	—
Common stock, \$ 0.01 par value per share. Authorized 1,400,000,000 shares; 6,319,513 issued and outstanding shares at July 31, 2024; 6,250,493 issued and outstanding shares at July 31, 2023	65	65
Additional paid-in capital	62,166	61,534
Accumulated earnings	93,457	7,612
Accumulated other comprehensive loss	( 1,507 )	( 587 )
Total stockholders' equity	154,181	68,624
Total liabilities, contingently redeemable preferred stock and stockholders' equity	\$ 485,628	\$ 411,181

The accompanying notes are an integral part of these consolidated financial statements.

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
Net revenue	\$ 174,109	\$ 40,804	\$ 148,283
Cost of revenue	125,616	29,749	108,031
Gross profit	48,493	11,055	40,252
Operating expenses:			
Selling, general and administrative	37,478	8,523	33,463
Amortization	3,554	911	—
Total operating expenses	41,032	9,434	33,463
Operating income	7,461	1,621	6,789
Other income (expense):			
Interest income	13,716	707	928
Interest expense	( 996 )	( 265 )	( 2,588 )
Other gains, net	776	5,688	3,961
Total other income	13,496	6,130	2,301
Income before income taxes	20,957	7,751	9,090
Income tax (benefit) expense	( 67,023 )	( 398 )	1,630
Net income	87,980	8,149	7,460
Less: Preferred dividends on redeemable preferred stock	( 2,135 )	( 537 )	( 1,593 )
Net income attributable to common stockholders	\$ 85,845	\$ 7,612	\$ 5,867
Net income per share - basic	\$ 3.30	\$ 0.29	\$ 0.91
Net income per share - diluted	\$ 3.11	\$ 0.29	\$ 0.89
Weighted-average number of common units outstanding - basic	6,218	6,177	6,449
Weighted-average number of common units outstanding - diluted	28,589	27,960	8,417

The accompanying notes are an integral part of these consolidated financial statements.

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(in thousands)**

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
Net income	\$ 87,980	\$ 8,149	\$ 7,460
Other comprehensive (loss) income:			
Foreign currency translation adjustment	( 476 )	( 623 )	999
Pension liability adjustments, net of tax	( 444 )	36	( 1,078 )
Other comprehensive loss	( 920 )	( 587 )	( 79 )
Comprehensive income	<u>\$ 87,060</u>	<u>\$ 7,562</u>	<u>\$ 7,381</u>

The accompanying notes are an integral part of these consolidated financial statements.

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(in thousands, except share amounts)

	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
<b>Predecessor:</b> Balance at July 31, 2022	6,485,309	65	7,479,906	( 7,493,317 )	4,140	( 9,206 )
Net income	—	—	—	7,460	—	7,460
Preferred dividends	—	—	—	( 1,593 )	—	( 1,593 )
Restricted stock grants	44,240	—	—	—	—	—
Share-based compensation	—	—	529	—	—	529
Other comprehensive items	—	—	—	—	( 79 )	( 79 )
<b>Balance at April 30, 2023</b>	<b>6,529,549</b>	<b>65</b>	<b>7,480,435</b>	<b>( 7,487,450 )</b>	<b>4,061</b>	<b>( 2,889 )</b>
Effect of Exchange Transaction (See Note 3)	—	—	( 7,416,849 )	7,487,450	( 4,061 )	66,540
<b>Successor:</b> Balance at May 1, 2023	6,529,549	65	63,586	—	—	63,651
Net income	—	—	—	8,149	—	8,149
Preferred dividends	—	—	—	( 537 )	—	( 537 )
Reverse/forward stock split settlement	( 299,069 )	—	( 2,288 )	—	—	( 2,288 )
Restricted stock grants	20,013	—	—	—	—	—
Share-based compensation	—	—	236	—	—	236
Other comprehensive items	—	—	—	—	( 587 )	( 587 )
<b>Balance at July 31, 2023</b>	<b>6,250,493</b>	<b>65</b>	<b>61,534</b>	<b>7,612</b>	<b>( 587 )</b>	<b>68,624</b>
Net income	—	—	—	87,980	—	87,980
Preferred dividends	—	—	—	( 2,135 )	—	( 2,135 )
Restricted stock grants	69,020	—	—	—	—	—
Share-based compensation	—	—	632	—	—	632
Other comprehensive items	—	—	—	—	( 920 )	( 920 )
<b>Balance at July 31, 2024</b>	<b>6,319,513</b>	<b>65</b>	<b>62,166</b>	<b>93,457</b>	<b>( 1,507 )</b>	<b>154,181</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
<b>Cash flows from operating activities:</b>			
Net income	\$ 87,980	\$ 8,149	\$ 7,460
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation	1,826	456	1,427
Amortization of intangible assets	3,554	911	—
Amortization of deferred financing costs	—	—	36
Accretion of debt discount	—	—	1,688
Share-based compensation	632	236	529
Deferred taxes	( 68,470 )	( 250 )	—
Non-cash lease expense	9,193	2,208	6,760
Bad debt (recovery) expense	( 46 )	( 297 )	1,136
Other gains, net	661	( 5,687 )	( 3,962 )
Non-cash impact of application of pushdown accounting	—	8,079	—
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable, net	( 5,089 )	8,409	2,933
Inventories, net	1,608	( 1,567 )	1,440
Prepaid expenses and other current assets	( 416 )	905	( 1,237 )
Accounts payable and accrued expenses	( 2,477 )	( 1,690 )	( 3,886 )
Refundable and accrued income taxes, net	( 134 )	( 214 )	( 829 )
Other assets and liabilities	( 6,974 )	( 11,125 )	( 4,495 )
<b>Net cash provided by operating activities</b>	<b>21,848</b>	<b>8,523</b>	<b>9,000</b>
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	( 3,965 )	( 807 )	( 1,311 )
Proceeds from the disposition of property and equipment	9	1	166
Proceeds from the sale of securities	157,915	53,644	1,881
Purchases of investments	( 45,377 )	—	—
<b>Net cash provided by investing activities</b>	<b>108,582</b>	<b>52,838</b>	<b>736</b>
<b>Cash flows from financing activities:</b>			
Series C redeemable preferred stock dividend payments	( 2,135 )	( 537 )	( 1,593 )
Payment of deferred financing costs	—	—	( 149 )
Repayments on capital lease obligations	—	—	( 38 )
Repayments on debt	—	( 1,000 )	( 1,000 )
Payments for fractional shares resulting from the Reverse/Forward stock split	—	( 2,288 )	—
<b>Net cash used in financing activities</b>	<b>( 2,135 )</b>	<b>( 3,825 )</b>	<b>( 2,780 )</b>
<b>Net effect of exchange rate changes on cash and cash equivalents</b>	<b>( 508 )</b>	<b>( 29 )</b>	<b>895</b>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>127,787</b>	<b>57,507</b>	<b>7,851</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>123,403</b>	<b>65,896</b>	<b>58,045</b>
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 251,190</b>	<b>\$ 123,403</b>	<b>\$ 65,896</b>

The accompanying notes are an integral part of these consolidated financial statements.

**STEEL CONNECT, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) NATURE OF OPERATIONS**

Steel Connect, Inc., (the "Company" or "Steel Connect"), is a holding company which operates through its wholly-owned subsidiary ModusLink Corporation ("ModusLink" or "Supply Chain").

ModusLink is a supply chain business process management company serving clients in markets such as consumer electronics, telecommunications, computing and storage, software and content, consumer packaged goods, health and personal care products, retail and luxury, and connected devices. ModusLink designs and executes elements in its clients' global supply chains to improve speed to market, product customization, flexibility, cost, quality and service. The Company also produces and licenses an entitlement management solution for activation, provisioning, entitlement subscription and data collection from physical goods (connected products) and digital products.

*Steel Partners and Steel Connect Exchange Transaction*

On April 30, 2023, Steel Partners Holdings L.P. ("Steel Holdings") and the Company executed a series of agreements in which Steel Holdings and certain of its affiliates (the "Steel Partners Group") agreed to transfer certain marketable securities held by the Steel Partners Group to the Company in exchange for 3.5 million shares of Series E Convertible Preferred Stock of the Company (the "Series E Convertible Preferred Stock", and such transfer and related transactions, the "Exchange Transaction"). Following the approval by the Company's stockholders on June 6, 2023, pursuant to the rules of the Nasdaq Capital Market, the Series E Convertible Preferred Stock is convertible into an aggregate of 19.8 million shares of the Company's common stock, par value \$ 0.01 per share (the "common stock" or "Common Stock"), and votes together with the Company's common stock and participate in any dividends paid on the Company's common stock, in each case on an as-converted basis. Conversion of the Series E Convertible Preferred Stock, when combined with the Steel Connect common stock, the 7.50 % Convertible Senior Note (the "SPHG Note"), if converted, and the Steel Connect Series C Convertible Preferred Stock, also if converted, owned by the Steel Partners Group, would have resulted in the Steel Partners Group holding approximately 84.0 % of the outstanding equity interests of the Company as of May 1, 2023. The exclusion of the if-converted shares of the SPHG Note would have resulted in the Steel Partners Group holding approximately 83.8 % of the outstanding equity interests of the Company as of May 1, 2023. The Exchange Transaction closed on May 1, 2023, the date that the consideration was exchanged between the Company and Steel Holdings, and as of that date the Company became a consolidated subsidiary of Steel Holdings for financial statement purposes. In connection with the Exchange Transaction, the parties entered into a Stockholders' Agreement (the "Stockholders' Agreement") governing, among other things, certain transactions between the Company and the Steel Partners Group following the closing of the Exchange Transaction. See Note 3 - "Exchange Transaction" for further information.

*Predecessor/Successor Reporting*

On May 1, 2023, the Exchange Transaction resulted in Steel Holdings obtaining control of the Company for financial statement consolidation purposes. Steel Holdings does not consolidate the Company for Federal income tax purposes because the ownership in the Company is dispersed between different federal tax consolidation groups within Steel Holdings. As of May 1, 2023, the Company elected pushdown accounting in which it used Steel Holdings' basis of accounting, which reflected the fair market value of the Company's assets and liabilities at the date of the Exchange Transaction. As a result, the Company has reflected the required pushdown accounting adjustments in its consolidated financial statements. Due to the application of pushdown accounting, the Company's consolidated financial statements and certain footnote disclosures include a black line division between the two distinct periods to indicate the application of two different bases of accounting, which may not be comparable, between the periods presented. The pre-exchange period through April 30, 2023 is referred to as the "Predecessor" period. The post-exchange period, May 1, 2023 and onward, includes the impact of pushdown accounting and is referred to as the "Successor" period. See Note 3 - "Exchange Transaction" for further information.

As of July 31, 2024, the Steel Partners Group beneficially owned approximately 89.7 % of our outstanding capital stock, including the if-converted value of the SPHG Note and shares of Series C Convertible Preferred Stock and Series E Convertible Preferred Stock that vote on an as-converted basis together with our Common Stock. The exclusion of the if-converted value of the SPHG Note would have resulted in the Steel Partners Group holding approximately 89.5 % of our outstanding capital stock.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements reflect the application of certain significant accounting policies described below.

*Principles of Consolidation*

The accompanying consolidated financial statements of the Company include the results of its wholly-owned and majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Company accounts for investments in businesses in which it owns between 20% and 50% of the voting interest using the equity method, if the Company has the ability to exercise significant influence over the investee company. All other investments in privately held businesses over which the Company does not have the ability to exercise significant influence, or for which there is not a readily determinable market value, are accounted for under the cost method of accounting.

*Reverse/Forward Stock Split*

At the special stockholders meeting held on June 6, 2023, the stockholders approved proposals to amend the Company's restated certificate of incorporation (the "Charter"), to effect a 1-for-3,500 reverse stock split of the common stock (the "Reverse Stock Split"), followed immediately by a 375 -for-1 forward stock split of the common stock (the "Forward Stock Split," and, together with the Reverse Stock Split, the "Reverse/Forward Stock Split"). On June 7, 2023, the Board approved the Reverse/Forward Stock Split, and as such, the Board directed the Company to file with the State of Delaware certificates of amendment to our Charter to effectuate the Reverse/Forward Stock Split. The Reverse/Forward Stock Split was effective on June 21, 2023 (the "Effective Date"). The Company's common stock began trading on a Reverse/Forward Stock Split-adjusted basis on the Nasdaq Capital Market when the market opened on June 22, 2023. The trading symbol for the Company's common stock remains "STCN."

No fractional shares were issued in connection with the Reverse/Forward Stock Split. Shares held by stockholders who held fewer than 3,500 of the Company's common stock immediately prior to the Reverse Stock Split were converted into the right to receive a payment in cash (without interest) equal to the fair value of such shares as of the time when those entitled to receive such payments were determined, which shall be an amount equal to such number of shares of the Company's common stock held multiplied by the average of the closing sales prices of the Company's common stock on Nasdaq for the five consecutive trading days immediately preceding the effective date of the Reverse Stock Split, and each share of the Company's common stock held by a stockholder of record owning 3,500 shares or more immediately prior to the effective time of the Reverse Stock Split were converted into a new number of shares of Company's common stock based on a ratio of 375 shares of the Company's common stock for each share of the Company's common stock owned immediately following the Reverse Stock Split, including any fractional shares owned following the Reverse Stock Split; however, with respect to any fractions of a share of Company common stock that may be held as a result of the Forward Stock Split, stockholders received a payment in cash (without interest) equal to the fair value of such fractions as of the time when those entitled to receive such fractions are determined, which was an amount equal to such fractions multiplied by the average of the closing sales prices of the Company's common stock on Nasdaq for the five consecutive trading days immediately preceding the effective date of the Reverse/Forward Stock Split (with such average closing sales prices being adjusted to give effect to the Reverse/Forward Stock Split).

The number of shares of authorized Company common stock did not change as a result of the Reverse/Forward Stock Split; however, the number of shares of outstanding Company common stock decreased as a result of the Reverse/Forward Stock Split.

Accordingly, all share and per-share amounts for the current period and prior periods have been adjusted to reflect the Reverse/Forward Stock Split.

The number of shares of Company's common stock issuable upon the exercise of Series C Preferred Stock and the Series E Preferred Stock immediately prior to the Reverse/Forward Stock Split were proportionately decreased and the conversion price of the Series C Preferred Stock and the Series E Preferred Stock were proportionately increased, effective as of June 21, 2023, the close of business on the date of such Reverse/Forward Stock Split. Our issued and outstanding preferred stock was not affected by the reverse stock split and continues to be 3,535,000 shares of preferred stock, with a par value of \$ 0.01 per share.

*Use of Estimates*

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, the Company evaluates its estimates including those related to: (1) revenue recognition; (2) valuation allowances for trade and other receivables and inventory; (3) the valuation of goodwill, indefinite-lived intangible assets, and long-lived assets; (4)

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contingencies, including litigation reserves; (5) restructuring charges and related severance expenses; (6) income taxes; (7) pension obligations; (8) business combinations; and (9) incremental borrowing rate to determine present value of lease payments. Accounting estimates are based on historical experience and various assumptions that are considered reasonable under the circumstances. However, because these estimates inherently involve judgments and uncertainties, actual results could differ materially from those estimated.

### *Revenue Recognition*

The Company recognizes revenue from its contracts with customers primarily from the sale of supply chain management services. Revenue is recognized when control of the promised goods or services is transferred to a customer, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. For ModusLink's supply chain management services arrangements, the goods and services are considered to be transferred over time as they are performed. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

#### *Supply Chain Management Services*

ModusLink's revenue primarily comes from the sale of supply chain management services to its clients. Amounts billed to customers under these arrangements include revenue attributable to the services performed as well as for materials procured on the customer's behalf as part of its service to them. The majority of these arrangements consist of two distinct performance obligations (i.e., warehousing/inventory management service and a separate kitting/packaging/assembly and fulfillment service), revenue related to each of which is recognized over time as services are performed using an input method based on the level of efforts expended.

For certain customer contracts, the Company recognizes the sale of certain inventorable goods at a point in time when control of those goods is transferred to clients. However, for sales recognized at a point in time, the timing of recognition is not significantly different than over time.

#### *Other*

Other revenue consists of cloud-based software subscriptions, software maintenance and support service contracts, and fees for professional services in ModusLink's e-Business operations. Revenue related to these arrangements is recognized on a straight-line basis over the term of the agreement or over the term of the agreement in proportion to the costs incurred in satisfying the obligations under the contract.

#### *Performance Obligations and Standalone Selling Price*

The Company's contracts with customers may include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require certain judgment. For arrangements with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price. Judgment is required to determine the standalone selling price for each distinct performance obligation. The Company generally determines standalone selling prices based on the prices charged to customers and uses a range of amounts to estimate standalone selling prices when we sell each of the products and services separately and need to determine whether there is a discount that needs to be allocated based on the relative standalone selling prices of the various products and services. The Company typically has more than one range of standalone selling prices for individual products and services due to the stratification of those products and services by customers and circumstances. In these instances, the Company may use information such as the type of customer and geographic region in determining the range of standalone selling prices.

#### *Variable Consideration*

The Company may provide credits or incentives to customers, which are accounted for as variable consideration when estimating the transaction price of the contract and amounts of revenue to recognize. The amount of variable consideration to include in the transaction price is estimated at contract inception using either the estimated value method or the most likely amount method based on the nature of the variable consideration. These estimates are updated at the end of each reporting period as additional information becomes available and

revenue is recognized only to the extent that it is probable that a significant reversal of any amounts of variable consideration included in the transaction price will not occur.

*Principal Versus Agent Revenue Recognition*

For revenue generated from contracts with customers involving another party, the Company evaluates whether it is acting as the principal or the agent in the transaction. This determination requires significant judgment and impacts the amount and timing of revenue recognized. The Company determines whether it is a principal or an agent, which is dependent on whether the Company has control of the specified goods or services before they are transferred to the customer, whether the Company is primarily responsible for fulfillment, whether the Company has inventory risk and whether the Company has latitude in establishing price. Revenues are recognized on a gross basis if the Company is acting in the capacity of a principal and on a net basis if it's acting in the capacity of an agent.

*Contract Balances*

Timing of revenue recognition may differ from timing of invoicing to customers. The Company records contract assets and liabilities related to its contracts with customers as follows:

- Accounts receivable when revenue is recognized prior to receipt of cash payments and if the right to such amounts is unconditional and solely based on the passage of time.
- Contract assets when the Company recognizes revenue based on efforts expended but the right to such amount is conditional upon satisfaction of another performance obligation. Contract assets are primarily comprised of fees related to supply chain management services. The Company's contract assets are all short-term in nature and are included in prepaid expenses and other current assets in the Company's consolidated balance sheets.
- Deferred revenue when cash payments are received or due in advance of performance. Deferred revenue is primarily comprised of fees related to supply chain management services, cloud-based software subscriptions and software maintenance and support service contracts, which are generally billed in advance. Deferred revenue also includes other offerings for which we have been paid in advance and earn the revenue when we transfer control of the product or service. The deferred revenue balance is classified as a component of other current liabilities and other long-term liabilities on the Company's consolidated balance sheets.

*Accounts Receivable and Allowance for Expected Credit Losses*

The Company's unsecured accounts receivable are stated at original invoice amount less an estimate made for expected credit losses based on a monthly review of all outstanding amounts. Management determines the allowance for expected credit losses by regularly evaluating individual customer receivables and considering each customer's financial condition, credit history, current economic conditions, whether any amounts are currently past due and the length of time accounts may be past due. The Company writes off accounts receivable when management deems them uncollectible and records recoveries of accounts receivable previously written off when received. When accounts receivable are considered past due, the Company generally does not charge interest on past due balances.

The allowance for expected credit losses consisted of the following:

	Successor		Predecessor
	July 31, 2024	May 1 to July 31, 2023	August 1, 2022 to April 30, 2023
	(In thousands)		
Balance at beginning of period	\$ 219	\$ 1,180	\$ 44
Application of pushdown accounting <sup>(a)</sup>	—	( 1,180 )	—
Provisions charged to expense	—	219	1,136
Recovered	( 46 )	—	—
Foreign currency impact	\$ ( 4 )	\$ —	\$ —
Balance at end of period	\$ 169	\$ 219	\$ 1,180

(a) As part of pushdown accounting, the allowance for expected credit losses balance was eliminated to establish the new cost basis in the Company's accounts receivables as of May 1, 2023.

*Foreign Currency Translation*

All assets and liabilities of the Company's foreign subsidiaries, whose functional currency is the local currency, are translated to U.S. dollars at the rates in effect at the balance sheet date. All amounts in the consolidated statements of operations are translated using the average exchange rates in effect during the year. Resulting translation adjustments are reflected in the accumulated other comprehensive income (loss) component of stockholders' equity. Settlement of receivables and payables in a foreign currency that is not the functional currency result in foreign currency transaction gains and losses. Foreign currency transaction gains and losses are included in "Other gains (losses), net" in the consolidated statements of operations.

*Cash, Cash Equivalents and Short-term Investments*

Cash equivalents consist of highly liquid investments with an original maturity of three months or less at the time of purchase. Investments with maturities greater than three months to twelve months at the time of purchase are considered short-term investments. Interest income is recognized when earned. Cash and cash equivalents consisted of the following:

	Successor	
	July 31, 2024	July 31, 2023
(In thousands)		
Cash and bank deposits	\$ 13,393	\$ 36,103
Money market funds	235,221	85,269
	<u>\$ 248,614</u>	<u>\$ 121,372</u>

Subsequent to the issuance of fiscal year 2023 financial statements, the Company determined that the money market funds balance as of July 31, 2023 in the above table, was understated by \$ 54.2 million, and this amount was being captured in the "Cash and bank deposits" balance. The Company corrected this immaterial error in the table above as of July 31, 2023. This disclosure change did not have any impact to amounts recognized in the consolidated balance sheets. Refer to "Note 22 - Fair Value Measurements" for further detail.

*Investments*

Long-term investments consist of debt and equity securities. The Company determines the appropriate classifications of its investments at the acquisition date and re-evaluates the classifications at each balance sheet date.

Equity securities that do not result in consolidation and are not accounted for under the equity method are measured at fair value, with any changes recognized in Other (losses) gains, net in the consolidated statements of operations in accordance with Accounting Standards Codification ("ASC") Topic 321, *Investments - Equity Securities*. The Company uses quoted market prices to determine the fair value of equity securities with readily determinable fair value.

Available-for-sale debt securities are reported at fair value, with unrealized gains and losses recognized in accumulated other comprehensive income or loss as a separate component of the Company's stockholders' equity in accordance with ASC Topic 320, *Investments - Debt Securities*. To the extent that debt securities meet the definition of a hybrid security under ASC 815, *Derivatives and Hedging*, the Company may elect the fair value option under ASC 825, *Financial Instruments* to measure the entire hybrid instrument, with changes in fair value recorded in the Company's consolidated statements of operations.

*Fair Value Measurements*

The Company measures certain assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values of assets and liabilities are determined based on a three-level measurement input hierarchy. Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date. Level 2 inputs are other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs can include quoted prices in active markets for similar assets or liabilities, quoted prices in a market that is not active for identical assets or liabilities, or other inputs that can be corroborated by observable market data. Level 3 inputs are unobservable for the asset or liability when there is little, if any, market activity for the asset or liability. Level 3 inputs are based on the best information available and may include data developed by the Company.

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### *Funds Held for Clients*

Funds held for clients represent cash that is restricted for use solely for the purposes of satisfying the obligations to remit clients' customer funds to the Company's clients. These funds are classified as a current asset and a corresponding current liability on the Company's consolidated balance sheets.

### *Inventories*

Inventories are stated at the lower of cost or net realizable value. Cost is determined by both moving averages and the first-in, first-out methods. A provision for excess or obsolete inventory is recorded based upon an analysis that considers current inventory levels, historical usage patterns and future sales expectations.

### *Accounting for Impairment of Long-Lived Assets*

The Company tests long-lived assets or group of assets for recoverability whenever events or changes in circumstances indicate that the Company may not be able to recover the asset's carrying amount. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Company evaluates recoverability generally by determining whether the undiscounted cash flows expected to result from the use and eventual disposition of that asset or group cover the carrying value at the evaluation date. If the undiscounted cash flows are not sufficient to recover the carrying value, the Company measures an impairment loss as the excess of the carrying amount of the long-lived asset or group over its fair value. Management may use third-party valuation experts to assist in its determination of fair value.

### *Goodwill and Other Intangible Assets, Net*

Goodwill, which is not amortized, represents the difference between the purchase price and the fair value of identifiable net assets acquired in a business combination. Goodwill is tested for impairment at a reporting unit level, and all of the Company's goodwill is assigned to its reporting units. Reporting units are determined based upon the Company's organizational structure in place at the date of the goodwill impairment testing and are generally one level below the operating segment level. The Company tests goodwill annually for impairment, and additionally on an interim basis, if events occur or circumstances change that would indicate the carrying amount may be impaired. Examples of such events would include pertinent macroeconomic conditions, industry and market considerations, overall financial performance and other factors. An entity can choose between using a qualitative impairment test often referred to as "Step 0" or a quantitative impairment test often referred to as "Step 1".

For the Step 0 approach, an entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. An entity has an unconditional option to bypass the Step 0 assessment for any reporting unit in any period and proceed directly to performing a Step 1 of the goodwill impairment test. An entity may resume performing the Step 0 assessment in any subsequent period. For the Step 1 approach, which is a quantitative approach, the Company will calculate the fair value of a reporting unit and compare it to its carrying amount. There are several methods that may be used to estimate a reporting unit's fair value, including the income approach, the market approach and/or the cost approach. The amount of impairment, if any, is determined by comparing the fair value of a reporting unit with its carrying amount and recognizing an impairment charge based on the amount that the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total goodwill allocated to the reporting unit.

For finite-lived intangible assets, the Company evaluates the carrying amount of such assets when circumstances indicate the carrying amount may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, condition of the asset or plans to dispose of the asset before the end of its useful life. If the assets' carrying amounts exceed the sum of the undiscounted cash flows, an impairment charge is recognized in the amount by which the carrying amounts exceeds their fair values. The Company performs such assessments at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities, which is generally at the plant level, operating company level or the reporting unit level, depending on the level of interdependencies in the Company's operations.

Indefinite-lived intangible assets are tested for impairment at least annually, or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Companies can use the same two testing approaches for indefinite-lived intangibles as for goodwill. The Company's annual impairment test date is June 1st each year. There were no impairments of goodwill or other intangible assets during the fiscal years ended July 31, 2024 or 2023.

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### *Property and Equipment*

Property and equipment are stated at cost, less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation and amortization is computed by applying the straight-line method to the estimated useful lives of the respective assets. Changes in estimated useful lives and salvage values of the Company's assets and the related depreciation and amortization expense are accounted for prospectively. The Company capitalizes certain computer software development costs when incurred in connection with developing or obtaining computer software for internal use. The estimated useful lives are as follows:

<b>Category</b>	<b>Useful Lives</b>
Machinery and equipment	5 years
Leasehold improvements	Shorter of the lease term or the estimated useful life of the asset
Software	5 years
Computer hardware	3 years
Other	5 years

### *Leases*

The Company leases office space, warehouse facilities, equipment and automobiles under operating leases. These leases may also include rent escalation clauses or lease incentives in the form of construction allowances and rent reduction. In determining the lease term used in the lease right-of-use ("ROU") asset and lease liability calculations, the Company considers various factors such as market conditions and the terms of any renewal or termination options that may exist. When deemed reasonably certain, the renewal and termination options are included in the determination of the lease term and calculation of the lease ROU asset and lease liability. The Company is typically required to make fixed minimum rent payments, variable rent payments primarily based on performance, or a combination thereof, directly related to its ROU asset. The Company is also often required, by the lease, to pay for certain other costs including real estate taxes, insurance, common area maintenance fees and/or certain other costs, which may be fixed or variable, depending upon the terms of the respective lease agreement. To the extent these payments are fixed, the Company has included them in calculating the lease ROU assets and lease liabilities.

The Company calculates lease ROU assets and lease liabilities as the present value of fixed lease payments over the reasonably certain lease term beginning at the commencement date. When discount rates implicit in leases cannot be readily determined, the Company uses its incremental borrowing rate based on information available at the commencement date in determining the present value of future payments. The determination of incremental borrowing rates involves judgment by management. The weighted average interest rate used for operating leases for the year ended July 31, 2024 and July 31, 2023 was 5.5 % and 5.2 %, respectively. There were no finance leases as of the year ended July 31, 2024 or 2023.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less ("short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the consolidated balance sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred.

### *Restructuring Costs*

Restructuring and other exit costs may include employee separation costs, asset impairment charges, contract exit costs and costs of facility consolidation and closure. The Company records restructuring and other exit costs at their fair value when incurred. In accordance with existing benefit arrangements, employee termination costs are accrued when the restructuring actions are probable and estimable. Employee separation costs may also include one-time termination benefits recognized as a liability at estimated fair value, at the time of communication to employees, unless future service is required beyond the minimum retention period, in which case the costs are recognized ratably over the future service period.

### *Income Taxes*

Income taxes are accounted for using the asset and liability method whereby deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance, if based on the weight of available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. This methodology is

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subjective and requires significant estimates and judgments in the determination of the recoverability of deferred tax assets and in the calculation of certain tax liabilities.

Income tax accounting standards prescribe: (1) a minimum recognition threshold that an income tax benefit arising from an uncertain income tax position taken, or expected to be taken, on an income tax return is required to meet before being recognized in the financial statements and (2) the measurement of the income tax benefits recognized from such positions. The Company's accounting policy is to classify uncertain income tax positions that are not expected to be resolved in one year as non-current income tax liabilities and to classify potential interest and penalties on uncertain income tax positions as elements of the provision for income taxes in its financial statements.

### *Pension Plans*

The Company sponsors defined benefit pension plans covering certain of its employees in the Netherlands and previously sponsored a plan in Japan, which was terminated during the fiscal year ended July 31, 2024 as part of ceasing operations in Japan. In accordance with accounting standards for employee pension benefits, the Company recognizes on a plan-by-plan basis the unfunded status of its pension plans in the consolidated financial statements and measures its pension plan assets and benefit obligations as of July 31. The obligation for the Company's pension plans and the related annual costs of employee benefits are calculated based on several long-term assumptions, including discount rates and expected mortality for employee benefit liabilities, rates of return on plan assets and expected annual rates for salary increases for employee participants.

### *Share-Based Compensation Plans*

All share-based payment awards to employees and directors are measured based upon their grant date fair values and expensed over the period during which the employee or director is required to provide service in exchange for the award (the vesting period). The Company accounts for forfeitures in the period in which they occur.

### *Acquisition Accounting*

The Exchange Transaction with Steel Holdings was accounted for as a business combination under the acquisition method of accounting in accordance with ASC 805, *Business Combinations* ("ASC 805") with Steel Holdings being the accounting acquirer. The Company elected to apply pushdown accounting. As required by ASC 805, assets acquired and liabilities assumed in a business combination are recorded at their respective fair values as of the business combination date. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Significant judgement is required in determining the acquisition date fair value of the assets acquired and liabilities assumed predominantly with respect to debt and intangible assets. We use available information to make these fair value determinations and, when necessary, engage an independent valuation specialist to assist in the fair value determination of the acquired long-lived assets. Significant judgment may be used to determine these fair values, including the use of appraisals, discounted cash flow models, market value for similar purchases or other methods applicable to the circumstances. The assumptions and judgments made by the Company when recording business combinations will have an impact on reported results of operations in the future. During the measurement period, which is not to exceed one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

### *Earnings per Common Share*

The Company calculates earnings (loss) per common share ("EPS") using the two-class method required for participating securities. Accordingly, the Company's Series E Convertible Preferred Stock, which the holders of are entitled to participate equally and ratably with the holders of shares of Common Stock in all dividends or other distributions on the shares of Common Stock, are included as participating securities in the calculation of EPS pursuant to the two-class method.

The two-class method provides for an allocation of net income (loss) between common stock and other participating securities based on their respective participation rights to share in dividends. Basic EPS is calculated by dividing net income available to common stockholders for the period by the weighted-average number of common shares outstanding during the period. Net income available to common stockholders for the period includes dividends paid to common stockholders during the period plus a proportionate share of undistributed net income allocable to common stockholders for the period; the proportionate share of undistributed net income allocable to common stockholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period. Diluted EPS is computed based on the weighted average number of shares of common stock outstanding during each period, plus potential

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common shares considered outstanding during the period, as long as the inclusion of such awards is not antidilutive. Potential common shares consist of restricted common stock (calculated based on the treasury stock method) and shares issuable upon debt or preferred stock conversion (calculated using an as-if converted method), using the more dilutive of either the two-class method or as-converted stock method.

### *Major Clients and Concentration of Credit Risk*

For the fiscal years ended July 31, 2024 and 2023, the Company's 10 largest clients accounted for approximately 81 % and 83 % of consolidated net revenue, respectively. Two customers accounted for approximately 38 % and 15 % of the Company's consolidated net revenue for the fiscal year ended July 31, 2024, and two customers accounted for 41 % and 13 % of the Company's consolidated net revenue for the fiscal year ended July 31, 2023. No other customers accounted for greater than 10% of consolidated net revenue in these periods. Two clients associated with the Supply Chain segment accounted for greater than 10% of the Company's consolidated net accounts receivables as of July 31, 2024. The first and second client accounted for approximately 41 % and 15 %, respectively, of the Company's consolidated net accounts receivable balance as of July 31, 2024. Four clients associated with the Supply Chain segment accounted for greater than 10 % of the Company's consolidated net accounts receivables as of July 31, 2023. The first, second, third, and fourth client accounted for approximately 28 %, 14 %, 12 %, and 10 %, respectively, of the Company's consolidated net accounts receivable balance as of July 31, 2023.

Financial instruments which potentially subject the Company to concentrations of credit risk are cash, cash equivalents and accounts receivable. The Company's cash equivalent portfolio is diversified and consists primarily of short-term investment grade securities placed with high credit quality financial institutions. Cash and cash equivalents are maintained at accredited financial institutions, and the balances associated with funds held for clients are at times without and in excess of federally insured limits. The Company has never experienced any losses related to these balances and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with financial institutions.

### *Accounting Standards Issued and Not Yet Implemented*

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The new guidance requires disaggregated information about the effective tax rate reconciliation and additional information on taxes paid that meet a quantitative threshold. The new guidance is effective for annual reporting periods beginning after December 15, 2024, with early adoption and retrospective application permitted. This guidance will be effective for the Company beginning in the fourth quarter in the fiscal year ending July 31, 2026. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statement disclosures; however, adoption is not expected to impact its consolidated balance sheets or statement of operations.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, allowing financial statement users to better understand the components of a segment's profit or loss to assess potential future cash flows for each reportable segment and the entity as a whole. The new guidance requires a public entity to disclose significant expenses and other segment items that are regularly reported to the chief operating decision maker ("CODM") and the nature of segment expense information used to manage operations. Additionally, it requires a public entity to disclose the title and position of the CODM. The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new guidance is effective for annual reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. This guidance will be effective for the Company beginning in the fourth quarter in the fiscal year ending July 31, 2025. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statement disclosures; however, adoption is not expected to impact its consolidated balance sheets or statements of operations.

In August 2020, the FASB issued ASU 2020-06, *Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40)*. The amendment in this update simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and convertible preferred stock. This update also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and requires the application of the if-converted method for calculating diluted earnings per share. The update also requires entities to provide expanded disclosures about the terms and features of convertible instruments, how the instruments have been reported in the entity's financial statements and

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information about events, conditions and circumstances that can affect how to assess the amount or timing of an entity's future cash flows related to those instruments. The guidance is effective for interim and annual periods beginning in our fiscal year ending July 31, 2025, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Other new pronouncements issued but not effective until after July 31, 2024 are not expected to have a material impact on our financial condition, results of operations or liquidity.

### *Subsequent Events*

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 fiscal year ended July 31, 2024, the Company evaluated subsequent events for potential recognition and disclosure through the date these financial statements were filed.

## **(3) EXCHANGE TRANSACTION**

### *Steel Partners and Steel Connect Exchange Transaction*

On April 30, 2023, the Company and Steel Holdings executed a series of agreements, in which the Steel Partners Group transferred an aggregate of 3,597,744 shares of common stock, par value \$ 0.10 per share, of Aerojet Rocketdyne Holdings, Inc. ("Aerojet") held by the Steel Partners Group to the Company in exchange for 3.5 million shares of the Company's newly created Series E Convertible Preferred Stock (the "Series E Convertible Preferred Stock" and such transfer and related transactions, the "Exchange Transaction"). Following the approval by the Company's stockholders on June 6, 2023, pursuant to the rules of the Nasdaq Capital Market, the Series E Convertible Preferred Stock is convertible into an aggregate of 19.8 million shares of the Company's common stock, par value \$ 0.01 per share (the "common stock" or "Common Stock"), and votes together with the Company's common stock and participates in any dividends paid on the Company's common stock, in each case on an as-converted basis. Upon conversion of the Series E Convertible Preferred Stock, when combined with the common stock, the SPHG Note, if converted, and the Steel Connect Series C Convertible Preferred Stock, also if converted, owned by the Steel Partners Group, would have resulted in the Steel Partners Group holding approximately 84.0 % of the outstanding equity interests of the Company as of May 1, 2023. The exclusion of the if-converted shares of the SPHG Note would have resulted in the Steel Partners Group holding approximately 83.8 % of the outstanding equity interests of the Company as of May 1, 2023.

The Exchange Transaction closed on May 1, 2023, the date that the consideration was exchanged between the Company and Steel Holdings, and as of that date the Company became a consolidated subsidiary of Steel Holdings for financial statement purposes. The Company is not consolidated by Steel Holdings for Federal income tax purposes because Steel Holdings' ownership in the Company is dispersed between different federal tax consolidation groups. The Company's assets and liabilities have been included in Steel Holdings' consolidated balance sheet, with a related noncontrolling interest of 16.0 % of the Company's common stock. Prior to May 1, 2023, when including the if-converted value of the SPHG Note and the Steel Connect Series C Convertible Preferred Stock, Steel Holdings held a 49.6 % ownership interest in the Company and accounted for its investment in the Company in accordance with the equity method of accounting. When excluding the if-converted value of the SPHG Note, Steel Holdings held a 45.8 % ownership interest in the Company. As of the date of the Exchange Transaction, Steel Holdings remeasured the previously held equity method investment to its fair value based upon a valuation of the Company.

The Exchange Transaction was accounted for in accordance with ASC Topic 805, *Business Combinations*, and, accordingly, the Company's results of operations were consolidated in Steel Holdings' financial statements on the date of the Exchange Transaction. Steel Holdings recorded a preliminary allocation of the Exchange Transaction to assets acquired and liabilities assumed based on their estimated fair values as of May 1, 2023. As discussed in Note 1 - "Nature of Operations", the Company elected pushdown accounting in which it uses Steel Holdings' basis of accounting, which reflects the fair market value of the Company's assets and liabilities at the date of the Exchange Transaction.

In the fourth quarter of fiscal 2024, the Company determined that the fair value of a liability that existed as of the date of the Exchange Transaction was zero . As such, the Company recorded the \$ 3.1 million reduction of the liability as an offset to the amount of goodwill recognized in pushdown accounting.

The following table summarizes the total Exchange Transaction consideration:

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(in thousands)	May 1, 2023
Fair value of Aerojet common stock	\$ 202,733
Fair value of previously held interest in Steel Connect and noncontrolling interest	111,816
Less: cash acquired from Steel Connect	( 65,896 )
Total estimated consideration, less cash acquired	\$ 248,653

The following represents the calculation of goodwill and fair value amounts recognized in the Exchange Transaction, as well as final fair value allocations reflecting adjustments made during the measurement period:

(in thousands)	Initial Estimate	Measurement Period Adjustments	Final Allocation
<b>Assets</b>			
Accounts receivable, trade	\$ 36,900	\$ —	\$ 36,900
Inventories, net	6,900	—	6,900
Prepaid expenses and other current assets	4,957	—	4,957
Other intangible assets	35,500	—	35,500
Other assets	3,900	—	3,900
Property and equipment, net	3,400	—	3,400
Operating lease right-of-use assets	29,250	—	29,250
Investments	202,733	—	202,733
<b>Estimated fair value of total assets acquired by Steel Holdings</b>	<b>323,540</b>	<b>—</b>	<b>323,540</b>
<b>Liabilities</b>			
Accounts payable	26,300	—	\$ 26,300
Accrued expenses	29,100	( 3,082 )	26,018
Current lease obligations	7,994	—	7,994
Other current liabilities	7,236	—	7,236
Long-term lease obligations	21,300	—	21,300
Other long-term liabilities	5,742	—	5,742
<b>Estimated fair value of total liabilities assumed by Steel Holdings</b>	<b>97,672</b>	<b>( 3,082 )</b>	<b>94,590</b>
Fair value of identifiable net assets	225,868	3,082	228,950
Goodwill attributable to Steel Connect	\$ 22,785	\$ ( 3,082 )	\$ 19,703

In connection with the application of pushdown accounting, the Company calculated the amount of goodwill recognized based on the excess of the Exchange Transaction consideration over the fair value of net identifiable assets acquired and liabilities assumed. Goodwill is primarily attributable to expected synergies and the assembled workforce of the Company. The goodwill recognized will not be deductible for income tax purposes.

Identifiable intangible assets were recognized at their estimated fair value as of the date of the Exchange Transaction. The fair value of the trade name asset was determined using the relief-from-royalty method and the fair value of the customer relationships asset was determined using the excess earnings method. These income-based approaches included assumptions such as the amount and timing of projected cash flows, growth rates, customer attrition rates, discount rates, and the assessment of the asset's life cycle. The estimated fair value and estimated remaining useful lives of identifiable intangible assets as of the Exchange Transaction date were as follows:

(in thousands)	Useful Life (Years)	Amount
Customer relationships	7	\$ 25,000
Trade name	Indefinite	10,500
Estimated fair value of identifiable intangible assets		\$ 35,500

**(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets, net consisted of the following:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
Aerojet common stock proceeds receivable	\$ —	\$ 154,500
Prepaid expenses	2,421	2,217
Other current assets	2,041	1,969
	<u>\$ 4,462</u>	<u>\$ 158,686</u>

As a result of the Exchange Transaction, the Company recorded \$ 202.7 million to investments, which represents the fair value of the Aerojet common stock transferred to Steel Connect. As of July 31, 2023, the Company had disposed of all its interest in Aerojet common stock. The majority of Aerojet common stock was disposed of when L3 Harris closed its merger with Aerojet. As of July 31, 2023, the Company received \$ 53.3 million in cash out of the total net proceeds of \$ 207.8 million. The Company received the remaining \$ 154.5 million proceeds in cash in the first quarter of fiscal year 2024, and there was a corresponding decrease in prepaid expenses and other current assets within the consolidated balance sheet at the time of this cash receipt.

**(5) INVENTORIES**

Inventories, net consisted of the following:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
Raw materials	\$ 5,534	\$ 4,805
Work-in-process	125	239
Finished goods	1,074	3,525
	<u>\$ 6,733</u>	<u>\$ 8,569</u>

**(6) INVESTMENTS**

The following table summarizes the Company's investments as of July 31, 2024. There were no investments as of July 31, 2023.

(in thousands)	Successor	
	July 31, 2024	
Convertible loan note investment <sup>(a)</sup>	\$	—
Investments in Equity Securities <sup>(b)</sup>		41,376
Total	<u>\$</u>	<u>41,376</u>

(a) The Company entered into a new convertible loan note on October 13, 2023, which matures on March 31, 2025. The Company paid 1.0 million GBP (approximately \$ 1.2 million) to subscribe for an amount of £ 1.0 million (the "loan principal") of 11.0 % 2025 unsecured convertible loan notes issued by the investee (the "CLN Instrument Agreement"). Contemporaneous with the execution of the CLN Instrument Agreement, the Company executed the Equity Warrant Instrument Agreement ("Warrant Agreement"), which provides the Company with the option to convert the outstanding balance into equity shares of the investee at any time before repayment of the outstanding loan principal balance. The Company's £ 1.0 million investment in the £ 20.0 million GBP 11.0 % unsecured convertible loan notes provides it with an approximate 5.0 % ownership interest in the investee on an if-converted basis. Changes in fair value will be recorded in the Company's condensed consolidated statements of operations as the Company elected the fair value option under ASC 825 to account for this investment. Changes in fair value are recorded in the Company's condensed consolidated statements of operations as the Company elected the fair value option under ASC 825 to account for this investment. In April 2024, the Company became aware that the investee had halted its operations while it undergoes a restructuring process. As a result,

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the Company determined that the fair value of the investment was zero . The Company recorded a loss of \$ 1.2 million to Other gains, net on the condensed consolidated statements of operations during the third quarter of fiscal year 2024, which was the fair value of the investment as of January 31, 2024. As of July 31, 2024, there was no new information available that would indicate that the fair value of the convertible loan note investment had changed.

(b) The balance consists of multiple common stock investments in public companies which are measured at fair value.

The amount of unrealized net gains for the fiscal year ended July 31, 2024 that relate to equity securities still held as of July 31, 2024 are as follows:

(in thousands)	Successor	
	Fiscal Year Ended July 31,	
	2024	
Net gains recognized during the period on equity securities		989
Less: Net gains recognized during the period on equity securities sold during the period		453
Realized net gains recognized during the period on equity securities still held at the end of the period	\$	536

Unrealized net gains are recorded in Other gains, net on the condensed consolidated statements of operations. There were no equity securities still held as of July 31, 2023, however the Company recognized \$ 5.1 million realized gains on the disposition of the Aerojet shares for the fiscal year ended July 31, 2023. Refer to Note 15 - "Other Gains, Net" for further information.

**(7) GOODWILL AND OTHER INTANGIBLE ASSETS, NET**

In connection with the application of pushdown accounting, the Company recorded intangible assets for goodwill, customer relationships, and tradenames. A reconciliation of the change in the carrying amount of goodwill by reportable segment is as follows:

(in thousands)	Supply Chain	
<b>Balance at July 31, 2023 (Successor)</b>		
Gross goodwill	\$	22,785
Accumulated impairments		—
Net goodwill	\$	22,785
<b>Balance at July 31, 2024 (Successor)</b>		
Gross goodwill	\$	22,785
Accumulated impairments		—
Pushdown accounting adjustment		( 3,082 )
Net goodwill	\$	19,703

The Company's annual impairment test date is June 1st each year. For the fiscal year ended July 31, 2024, the Company utilized a quantitative approach for its single reporting unit. The assessment was based on a combination of income and market approaches to estimate the fair value of the reporting unit, which indicated that the fair value of the reporting unit exceeded its respective carrying value. Significant assumptions used in the discounted cash flow analysis included expected future earnings and cash flows, which are based on management's current expectations, as well as the related risk-adjusted discount rate used to estimate fair value. There were no goodwill impairment charges recorded as a result of this assessment. At July 31, 2024, the goodwill related to the Supply Chain reporting unit is at risk of future impairment if the fair value of this reporting unit, and its associated assets, decrease in value due to the amount and timing of expected future cash flows, decreased customer demand for Supply Chains' services, an inability to execute management's business strategies, or general market conditions, such as economic downturns, and changes in interest rates, including discount rates. Future cash flow estimates are, by their nature, subjective, and actual results may differ materially from the Company's estimates. If the Company's ongoing cash flow

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projections are not met or if market factors utilized in the impairment test deteriorate, including an unfavorable change in the terminal growth rate or the weighted-average cost of capital, the Company may have to record impairment charges in future periods. As of July 31, 2024 the Supply Chain reporting unit had \$ 19.7 million of goodwill and its fair value exceeded its net book value by 12 %.

A summary of Other intangible assets, net is as follows:

	Successor					
	July 31, 2024			July 31, 2023		
	(in thousands)					
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 25,000	\$ 4,464	\$ 20,536	\$ 25,000	\$ 911	\$ 24,089
Trade name	10,500	—	10,500	10,500	—	10,500
<b>Total</b>	<b>\$ 35,500</b>	<b>\$ 4,464</b>	<b>\$ 31,036</b>	<b>\$ 35,500</b>	<b>\$ 911</b>	<b>\$ 34,589</b>

The trade name intangible asset has an indefinite useful life. Customer relationships are amortized on a straight-line basis. Amortization expense related to intangible assets was \$ 3.6 million and \$ 0.9 million for the fiscal years ended July 31, 2024 and 2023, respectively.

For the fiscal year ended July 31, 2024, the Company applied the relief-from-royalty method under the income approach to value the trade name indefinite-lived intangible asset. Significant assumptions used included the amount and timing of projected revenues, growth rates, royalty rates, discount rates, and tax amortization benefit. There were no impairment charges recorded as a result of this assessment. At July 31, 2024, the trade name indefinite-lived intangible asset is at risk of future impairment if the fair value of the trade name decreases in value due to unfavorable changes in the weighted-average cost of capital, revenue growth rates, or royalty rates. As of July 31, 2024 the trade name indefinite-lived intangible asset's fair value exceeded its net book value by 10 %.

Based on gross carrying amounts at July 31, 2024, the Company's estimate of amortization expense for each of the five succeeding years and thereafter is as follows:

	Fiscal Year Ending July 31,					
	2025	2026	2027	2028	2029	Thereafter
	(In thousands)					
Estimated amortization expense	\$ 3,571	\$ 3,571	\$ 3,571	\$ 3,571	\$ 3,571	\$ 2,681

**(8) PROPERTY AND EQUIPMENT**

Property and equipment at cost, consists of the following:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
Machinery and equipment	3,075	1,388
Leasehold improvements	2,027	606
Software	1,595	1,133
Computer hardware	740	400
Other	519	627
	7,956	4,154
Less: accumulated depreciation and amortization	( 2,420 )	( 456 )
Property and equipment, net	<b>\$ 5,536</b>	<b>\$ 3,698</b>

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As part of pushdown accounting, the accumulated depreciation of property and equipment balances were eliminated to establish the new cost basis in the Company's property and equipment as of May 1, 2023.

**(9) ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

The following tables reflect the components of "Accrued expenses" and "Other current liabilities":

	Successor	
	July 31, 2024	July 31, 2023
<b>Accrued Expenses</b>	<b>(In thousands)</b>	
Accrued compensation	\$ 6,504	\$ 6,891
Accrued audit, tax and legal	3,909	5,696
Accrued price concessions	2,312	2,981
Accrued taxes	1,863	2,811
Accrued occupancy costs	1,803	1,412
Accrued IT costs	727	831
Accrued other	4,541	6,152
Total accrued expenses	<u>\$ 21,659</u>	<u>\$ 26,774</u>

	Successor	
	July 31, 2024	July 31, 2023
<b>Other Current Liabilities</b>	<b>(In thousands)</b>	
Deferred revenue - current	2,271	2,574
Other	2,152	1,970
Total other current liabilities	<u>\$ 4,423</u>	<u>\$ 4,544</u>

**(10) DEBT**

The components of debt and a reconciliation to the carrying amount of long-term debt is presented in the table below:

	Successor	
	July 31, 2024	July 31, 2023
<b>Unsecured</b>	<b>(In thousands)</b>	
7.50 % Convertible Senior Note due September 1, 2024	\$ 12,903	\$ 12,461
<b>Credit Facilities</b>		
Umpqua Revolver	—	—
Total debt, net	<u>\$ 12,903</u>	<u>\$ 12,461</u>

(a) As of May 1, 2023, the Company will account for the SPHG Note under the fair value option..

*7.50 % Convertible Senior Note*

On February 28, 2019, the Company entered into a 7.50 % Convertible Senior Note Due 2024 Purchase Agreement (the "SPHG Note Purchase Agreement") with SPH Group Holdings LLC ("SPHG Holdings"), whereby SPHG Holdings agreed to loan the Company \$ 14.9 million in exchange for a 7.50 % Convertible Senior Note due 2024 (the "SPHG Note"). The SPHG Note was amended on March 9, 2023 (the "Amendment Date"), to extend the maturity date to September 1, 2024. In addition, the Company repaid \$ 2.0 million in principal amount of the SPHG Note during fiscal year 2023. Refer to Note 22 - "Fair Value Measurements" for further information.

As of both July 31, 2024 and 2023, the principal amount of the note was \$ 12.9 million. As of May 1, 2023, or the date of the Exchange Transaction, the Company accounts for the SPHG Note under the fair value option in order to conform with Steel Holdings' basis of accounting, with changes in fair value recognized in earnings. Refer to Note 22 - "Fair Value

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Measurements" for further information. The fair value of the SPHG Note was reported as a current liability on the condensed consolidated balance sheets beginning in the first quarter of fiscal year 2024, as its maturity is less than twelve months.

The SPHG Note matured on September 1, 2024 and the Company paid off the outstanding principal and accrued interest for the SPHG Note upon its maturity.

Below is a reconciliation of interest expense related to the SPHG Note to total interest expense:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Interest expense related to contractual interest coupon on the SPHG Note	\$ 996	\$ 261	\$ 844
Interest expense related to accretion of the discount on the SPHG Note <sup>(a)</sup>	—	—	1,688
Interest expense related to revolving credit facilities (see below)	—	—	36
Other	—	4	20
<b>Total interest expense</b>	<b>\$ 996</b>	<b>\$ 265</b>	<b>\$ 2,588</b>

(a) Prior to the date of the Exchange Transaction, the discount on the SPHG Note was accreted using the effective interest rate method. The effective interest rate on the SPHG Note was 27.8 % prior to the SPHG Note Amendment, and was 23.0 % subsequent to the SPHG Note Amendment.

*Umpqua Revolver*

ModusLink, as borrower, is party to a revolving credit agreement with Umpqua Bank as lender and as agent, which provides for a maximum credit commitment of \$ 12.5 million and a sublimit of \$ 5.0 million for letters of credit (collectively, the "Umpqua Revolver"). On May 1, 2024, ModusLink, entered into a Second Amendment to the Umpqua Revolver (the "Second Amendment"). Among other things, the Second Amendment (i) extended the maturity date with respect to revolving loans from March 31, 2025 to March 31, 2026, (ii) removed certain adjustments in the definition of "Adjusted EBITDA" as set forth in the Umpqua Revolver, (iii) increased the minimum Adjusted Tangible Net Worth (as defined in the credit agreement) and (iv) removed certain caps and conditions on ModusLink's ability to pay dividends.

As of July 31, 2024, ModusLink was in compliance with the Umpqua Revolver's covenants, and believes it will remain in compliance with the Umpqua Revolver's covenants for the next twelve months from the filing of this Annual Report. As of July 31, 2024, ModusLink had available borrowing capacity of \$ 11.9 million and there was \$ 0.6 million outstanding letters of credit.

**(11) LEASES**

The Company has operating and finance leases for office space, office equipment, warehouse space and automobiles. The leases have remaining terms of up to five years, some of which include options to purchase, extend or terminate the leases, and management has assessed such terms when determining the lease term for accounting purposes. The Company's current lease arrangements expire through fiscal year 2029.

The Company's leases do not include any residual value guarantees, and therefore none were considered in the calculation of the operating ROU and operating lease liability balances. The Company has leases that contain variable payments, most commonly in the form of common area maintenance charges, which are based on actual costs incurred. These variable payments were excluded from the calculation of the operating ROU asset and operating lease liability balances since they are not fixed or in-substance fixed payments.

For leases with terms greater than 12 months, the Company records the related operating ROU assets and operating lease liabilities at the present value of lease payments over the lease terms. For leases with an initial term of 12 months or less (with purchase options or extension options that are not reasonably certain to be exercised), the Company does not record them on the balance sheet, but instead recognizes lease expense on a straight-line basis over the terms of the leases.

*Lease Expense*

The components of the Company's lease expense are presented below:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Operating lease cost	\$ 10,481	\$ 2,565	\$ 7,538
Short-term lease expense	1,608	444	1,269
Sublease income	( 413 )	( 171 )	( 786 )
Variable lease cost	—	—	7
Interest on finance lease liabilities	—	—	—
	\$ 11,676	\$ 2,838	\$ 8,028

*Lease Commitments*

The Company's future minimum lease payments required under operating leases that have commenced as of July 31, 2024 were as follows:

	Operating Lease
	(In thousands)
2025	\$ 9,450
2026	6,430
2027	4,440
2028	2,090
2029	540
Thereafter	—
Total lease payments	22,970
Less: imputed interest	1,910
Present value of lease payments	21,060
Less: current lease obligations	8,310
Long-term lease obligations	\$ 12,740

In order to calculate the operating ROU asset and operating lease liability for a lease, a lessee is required to apply a discount rate equal to the rate implicit in the lease whenever that rate is readily determinable. The Company's lease agreements generally do not provide a readily determinable implicit rate, nor is the rate available to the Company from its lessors and, therefore, the Company determines an incremental borrowing rate to determine the present value of the lease payments. The incremental borrowing rate represents the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar lease term to obtain an asset of similar value.

*Additional Lease Information*

Additional information related to the Company's leases as of July 31, 2024 was as follows:

<b>Weighted average remaining lease term:</b>	
Operating leases	2.9 years
<b>Weighted average discount rate:</b>	
Operating leases	5.5 %

*Supplemental Cash Flow Information*

Supplemental cash flow information related to the cash paid for amounts included in measurement of lease liabilities during the fiscal year ended July 31, 2024 and 2023 was as follows:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
(In thousands)			
Operating cash flows from operating leases	\$ 10,412	\$ 2,494	\$ 7,224
Operating cash flows from finance leases	\$ —	\$ —	\$ —
Financing cash flows from finance leases	\$ —	\$ —	\$ 38

**(12) COMMITMENTS AND CONTINGENCIES**

*Donald Reith v. Warren G. Lichtenstein, et al.*

On April 13, 2018, a purported shareholder, Donald Reith, filed a verified complaint, *Reith v. Lichtenstein, et al.*, 2018-277 (Del. Ch.) in the Delaware Court of Chancery (the "Reith litigation"). The complaint alleges class and derivative claims for breach of fiduciary duty and/or aiding and abetting breach of fiduciary duty and unjust enrichment against certain current and former directors of the Company, Warren G. Lichtenstein, Glen M. Kassan, William T. Fejes, Jack L. Howard, Jeffrey J. Fenton, Philip E. Lengyel and Jeffrey S. Wald; and stockholders Steel Holdings and several of its affiliated companies (collectively, the "Steel Parties") in connection with the acquisition of \$ 35.0 million of the Series C Convertible Preferred Stock by SPHG Holdings and equity grants made to Messrs. Lichtenstein, Howard and Fejes on December 15, 2017 (collectively, the "Challenged Transactions"). The Company is named as a nominal defendant. The complaint alleges that although the Challenged Transactions were approved by a Special Committee consisting of the independent members of the Board of Directors (Messrs. Fenton, Lengyel and Wald), the Steel Parties dominated and controlled the Special Committee, who approved the Challenged Transactions in breach of their fiduciary duty. Plaintiff alleges that the Challenged Transactions unfairly diluted stockholders and therefore unjustly enriched Steel Holdings, SPHG Holdings and Messrs. Lichtenstein, Howard and Fejes. The complaint also alleges that the Board of Directors made misleading disclosures in the Company's proxy statement for the 2017 Annual Meeting of Stockholders in connection with seeking approval to amend the 2010 Incentive Award Plan to authorize the issuance of additional shares to accommodate certain shares underlying the equity grants. Remedies requested include rescission of the Series C Convertible Preferred Stock and equity grants, disgorgement of any unjustly obtained property or compensation and monetary damages.

On August 13, 2021, the Company, together with certain of its current and former directors of the Board, Warren Lichtenstein, Glen Kassan, William Fejes, Jr., Jack Howard, Jeffrey Fenton and Jeffrey Wald, as well as other named defendants (collectively, the "Defendants"), entered into a memorandum of understanding (the "MOU") with Donald Reith (the "Plaintiff") in connection with the settlement of the *Reith v. Lichtenstein, et al.*, C.A. No. 2018-0277-MTZ (Del. Ch. 2018) class and derivative action. A definitive Stipulation of Settlement (the "First Stipulation") incorporating the terms of the MOU was filed with the Court on February 18, 2022. Pursuant to the MOU and First Stipulation, and contingent on approval of the terms by the court, the Defendants agreed to cause their directors' and officers' liability insurance carriers to pay to the Company \$ 2.8 million in cash. The Company's insurance carrier agreed to pay \$ 1.7 million and Steel Holdings' insurance carrier agreed to pay \$ 1.1 million of the settlement.

Additionally, under the MOU and separate letter agreements between the Company and such individuals (the "Surrender Agreements"), Messrs. Lichtenstein, Howard and Fejes agreed to surrender to the Company an aggregate 353,571 shares that they had initially received in December 2017 in consideration for services to the Company. The surrenders and cancellations are in the following amounts: for Mr. Lichtenstein, 196,429 vested shares and 32,143 unvested shares; for Mr. Howard, 98,214 vested shares and 16,071 unvested shares; and for Mr. Fejes, 10,714 vested shares. On August 17, 2021, Mr. Lichtenstein and Mr. Howard surrendered the shares required under the MOU, the First Stipulation and their respective Surrender Agreements, and in December 2021 Mr. Fejes did the same. All such shares were subsequently cancelled. Pursuant to the MOU and First Stipulation, the Company also agreed to pay the Plaintiff's counsel legal fees for this matter in an amount up to \$ 2.05 million, if approved by the court.

On September 23, 2022, the court ruled that it was denying approval of the settlement as described in the First Stipulation.

On June 6, 2023, the Company received a books and records demand from Reith under Delaware General Corporation Law Section 220 which requests an array of documents for the purported purposes of investigating potential wrongdoing in connection with the April 30, 2023 transaction between Steel Holdings and Steel Connect.

On April 8, 2024, the Company, the Defendants and Mr. Reith entered into a memorandum of understanding contemplating the settlement of the Reith litigation.

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On October 18, 2024, the Company, Plaintiff, and Defendants entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Second Stipulation") to resolve the Reith litigation (the "Proposed Settlement").

If the Proposed Settlement is approved by the Court, (i) the Defendants shall cause their insurers to make a cash payment of \$ 6.0 million to the Company and, after deducting any Court-approved award of attorneys' fees to Plaintiff's counsel and certain litigation expenses, the Company shall distribute the balance of the cash payment, by way of a special dividend or other distribution, to the holders of the Company's common stock pursuant to the allocation provisions set forth in the previously disclosed Stockholders Agreement dated April 30, 2023 by and among the Company, Steel Partners Holdings L.P., and other stockholders signatory thereto (the "Stockholders' Agreement") as amended by the Proposed Settlement; (ii) the Company will adopt certain amendments to the Stockholders' Agreement; and (iii) the Company will adopt certain corporate governance policies and practices, including a formal review process for compensation clawbacks, enhancing the process for granting equity awards and keeping records of equity awards granted under the Company's stock plans, further enhancing board committee independence, and reducing the materiality threshold for review of related party transactions under the Stockholders' Agreement.

The Proposed Settlement requires Court approval, and there can be no assurances that such approval will be granted. The Proposed Settlement, if approved by the Court, will cause the dismissal, with prejudice, of the Reith litigation and the release of claims against the parties to the Proposed Settlement as described in the Second Stipulation.

On December 12, 2023, the Company received books and records demand, similar to the demand from Reith, from another purported shareholder. The possible liability, if any, with respect to this matter cannot be determined.

### *Mohammad Ladjvardian v. Warren G. Lichtenstein, et al.*

On September 1, 2023, a purported stockholder, Mohammad Ladjvardian, filed a verified complaint alleging a single direct claim for breach of fiduciary duty against members of Steel Connect's Board of Directors and Steel Holdings and certain of its affiliates in connection with the Exchange Transaction. Directors named in the complaint are Warren Lichtenstein, Glen Kassan, and Jack Howard. The complaint alleges that although the challenged transaction was approved by the independent Strategic Planning Committee, the committee failed to obtain a "control premium" or to consider the dilutive effect that the Series E Convertible Preferred Stock issuance had on the plaintiff's holdings. Remedies requested in the complaint include rescission of the Series E Convertible Preferred Stock and a judicially imposed requirement that all future transactions involving Steel Holdings and its affiliates be subject to minority stockholder approval. On September 27, 2023, the entity defendants moved to dismiss the complaint. On October 5, 2023, the individual defendants moved to dismiss the complaint.

On April 18, 2024, in order to avoid the cost and uncertainty of litigation, Messrs. Lichtenstein and Howard, Steel Holdings, Steel Excel and WebFinancial, without admitting any wrongdoing, entered into a Settlement Agreement and Securities Purchase Agreements (the "SPAs") with the Estate of Mohammad Ladjvardian and certain parties related to Mohammad Ladjvardian (the "Ladjvardian Parties"). Pursuant to the SPAs, a Steel Holdings subsidiary purchased an aggregate of 701,246 shares of the Company's common stock held by the Ladjvardian Parties at a price of \$ 9.83 per share, which represented the closing market price of the shares on April 17, 2024 and made an aggregate cash settlement payment of \$ 1.5 million to the Ladjvardian Parties.

## **(13) DEFINED BENEFIT PENSION PLANS**

The Company sponsors two defined benefit pension plans covering certain of ModusLink's employees in its Netherlands facility and previously sponsored one unfunded defined benefit pension plan covering certain of its employees in Japan, which was terminated during the fiscal year ended July 31, 2024 as part of ceasing operations in Japan. Pension costs are actuarially determined. During the year ended July 31, 2020, the Netherlands defined benefit plan was amended so active participants no longer accrued benefits as of January 1, 2020 which resulted in a pre-tax curtailment gain of \$ 2.4 million recognized in accumulated other comprehensive income.

The plan assets of the two defined benefit plans associated with the ModusLink's Netherlands facility consist of an insurance contract that guarantees the payment of the funded pension entitlements. Insurance contract assets are recorded at fair value, which is determined based on the cash surrender value of the insured benefits which is the present value of the guaranteed funded benefits. Insurance contracts are valued using unobservable inputs, primarily by discounting expected future cash flows relating to benefits paid from a notional investment portfolio in order to determine the cash surrender value of the policy. The following table presents the plan assets measured at fair value on a recurring basis as of July 31, 2024 and 2023, classified by fair value hierarchy:

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(In thousands)	Successor		Fair Value Measurements at Reporting Date Using		
	July 31, 2024	Asset Allocations	Level 1	Level 2	Level 3
Insurance contract	\$ 17,516	98 %	\$ —	\$ —	\$ 17,516
Other investments	443	2 %	—	—	443
	<u>\$ 17,959</u>	<u>100 %</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,959</u>

  

(In thousands)	Successor		Fair Value Measurements at Reporting Date Using		
	July 31, 2023	Asset Allocations	Level 1	Level 2	Level 3
Insurance contract	\$ 14,926	97 %	\$ —	\$ —	\$ 14,926
Other investments	388	3 %	—	—	388
	<u>\$ 15,314</u>	<u>100 %</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,314</u>

The following table summarizes the changes in benefit obligation, plan assets and funded status for these plans:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ 19,119	\$ 21,103
Adjustment related to unconditional indexation of benefits	—	1,077
Adjustment for termination of Japan pension plan	( 227 )	—
Service cost	—	10
Interest cost	789	679
Actuarial gain (loss)	2,941	( 4,885 )
Benefits and administrative expenses paid	( 329 )	( 275 )
Settlements	—	( 109 )
Currency translation	( 364 )	1,519
Benefit obligation at end of year	<u>\$ 21,929</u>	<u>\$ 19,119</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 15,314	\$ 17,976
Actual return on plan assets	3,141	( 3,759 )
Employer contributions, net	130	225
Settlements	—	( 108 )
Benefits and administrative expenses paid	( 329 )	( 275 )
Currency translation	( 297 )	1,255
Fair value of plan assets at end of year	<u>\$ 17,959</u>	<u>\$ 15,314</u>
<b>Funded status</b>		
Current liabilities	\$ —	\$ ( 9 )
Noncurrent liabilities	( 3,970 )	( 3,796 )
Net amounts recognized on the consolidated balance sheets	<u>\$ ( 3,970 )</u>	<u>\$ ( 3,805 )</u>

The funded status for these plans is recorded to "Other long-term liabilities" on the consolidated balance sheets.

As discussed above, during the year ended July 31, 2020, a Netherlands defined benefit pension plan was amended such that active participants no longer accrued benefits as of January 1, 2020. At that time, the active plan participants were moved into a new defined benefit contribution pension plan. During the fiscal year ended July 31, 2023, the Company recorded an increase of approximately \$ 1.1 million to accrued pension liabilities for the defined benefit pension plan as it was determined that plan participants are entitled to unconditional indexation of benefits for as long as they remain in active service with the Company.

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Additionally, as discussed in Note 3 - "Exchange Transaction", as a result of pushdown accounting, the defined benefit pension plan assets were remeasured at fair value as of the date of the Exchange Transaction, which resulted in a \$ 0.5 million decrease to the pension liability, with the offset to goodwill. The incremental decrease of \$ 36.2 thousand to the pension liability was booked to accumulated other comprehensive income in July 2023 based off of the fair value of the defined benefit pension plan assets as of July 31, 2023.

Information for pension plans with an accumulated benefit obligation in excess of plan assets was as follows:

	Successor	
	July 31, 2024	July 31, 2023
(In thousands)		
Projected benefit obligation	\$ 21,929	\$ 19,119
Accumulated benefit obligation	\$ 21,929	\$ 19,119
Fair value of plan assets	\$ 17,959	\$ 15,314

The following table summarizes the components of net periodic pension cost:

	Successor	
	July 31, 2024	July 31, 2023
(In thousands)		
Service cost	\$ —	\$ 10
Interest costs	789	679
Expected return on plan assets	( 652 )	( 574 )
Amortization of net actuarial loss	6	9
Net periodic pension costs	<u>\$ 143</u>	<u>\$ 124</u>

*Assumptions*

The table below summarizes the weighted average assumptions used to determine benefit obligations:

	Successor	
	July 31, 2024	July 31, 2023
Discount rate	3.50 %	4.21 %
Rate of compensation increase	— %	— %

The table below summarizes weighted average assumptions used to determine net periodic pension cost:

	Successor	
	July 31, 2024	July 31, 2023
Discount rate	3.50 %	3.91 %
Expected long-term rate of return on plan assets	3.50 %	3.88 %
Rate of compensation increase	— %	— %

The discount rate reflects the Company's best estimate of the interest rate at which pension benefits could be effectively settled as of the valuation date. It is based on the Mercer Yield Curve for the Eurozone as of July 31, 2024 for the appropriate duration of the plan.

To develop the expected long-term rate of return on assets assumptions, consideration is given to the current level of expected returns on risk free investments, the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for the future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

*Benefit Payments*

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The following table summarizes expected benefit payments from the plans through fiscal year 2032. Actual benefit payments may differ from expected benefit payments. The minimum employer required contributions to the plans are expected to be approximately \$ 0.7 million in fiscal year 2025.

	Pension Benefit Payments
	(In thousands)
<b>For the fiscal year ending July 31:</b>	
2025	\$ 357
2026	381
2027	405
2028	468
2029	558
Thereafter	3,677

The current target allocations for plan assets are primarily insurance contracts.

*Valuation Technique*

Benefit obligations are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit formula. Cumulative gains and losses in excess of 10 % of the greater of the pension benefit obligation or market-related value of plan assets are amortized over the expected average remaining lifetime of all inactive participants.

**(14) REVENUE RECOGNITION**

*Disaggregation of Revenue*

The following table presents the Company's revenues from customers with contracts disaggregated by major good or service line and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments.

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
<b>Service Lines</b>			
Supply chain management services	172,628	\$ 40,467	\$ 147,185
Other	1,481	337	1,098
	<u>174,109</u>	<u>\$ 40,804</u>	<u>\$ 148,283</u>
<b>Timing of Revenue Recognition</b>			
Services transferred over time	174,109	\$ 40,804	\$ 148,283
	<u>174,109</u>	<u>\$ 40,804</u>	<u>\$ 148,283</u>

The table below presents information for the Company's contract balances:

	Successor		Predecessor
	July 31, 2024	July 31, 2023	August 1, 2022
	(In thousands)		
Accounts receivable, trade, net	\$ 33,443	\$ 28,616	\$ 40,083
Contract assets	275	439	369
Deferred revenue - current	\$ 2,271	\$ 2,574	\$ 2,705
Deferred revenue - long-term	54	144	134
Total deferred revenue	<u>\$ 2,325</u>	<u>\$ 2,718</u>	<u>\$ 2,839</u>

*Remaining Performance Obligations*

Remaining performance obligations are comprised of deferred revenue. Changes in deferred revenue during the fiscal years ended July 31, 2024 and 2023 were as follows:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Balance at beginning of period	\$ 2,718	\$ 3,073	\$ 2,839
Deferral of revenue	1,628	245	1,595
Recognition of deferred amounts upon satisfaction of performance obligation	( 2,021 )	( 600 )	( 1,361 )
Balance at end of period	\$ 2,325	\$ 2,718	\$ 3,073

The Company expects to recognize approximately \$ 2.2 million of the deferred revenue over the next twelve months and the remaining \$ 0.1 million beyond that time period.

**(15) OTHER GAINS, NET**

The following table presents the components of "Other gains, net":

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Foreign currency exchange (losses) gains, net	\$ ( 154 )	\$ 446	\$ ( 510 )
Other gains, net	930	5,242	4,471
	\$ 776	\$ 5,688	\$ 3,961

Other gains, net for the fiscal year ended July 31, 2024 is primarily made up of \$ 1.4 million grant income, offset partially by net realized/unrealized losses on investments and the SPHG Note.

Other gains, net for the May 1 to July 31, 2023 Successor Period is primarily made up of \$ 5.1 million net realized gains recognized on the disposition of the Aerojet shares. See Note 4 - "Prepaid Expenses and Other Current Assets" for more information. Other gains, net for the August 1, 2022 to April 30, 2023 Predecessor Period was primarily due to: (1) \$ 1.9 million gain from proceeds received from the sale of an investment and (2) \$ 1.4 million settlement with a client.

**(16) SHARE-BASED PAYMENTS**

*Share-Based Compensation Plans*

The Company has adopted share-based compensation plans in order to provide incentives to directors, officers, employees and other individuals providing services to or on behalf of the Company and its subsidiaries. Where applicable, the disclosures below have been adjusted to reflect the Reverse/Forward Stock Split effective June 21, 2023.

On June 12, 2020, the Company's Board of Directors adopted, subject to stockholder approval, the Steel Connect, Inc. 2020 Stock Incentive Compensation Plan ("2020 Incentive Plan"), and on July 23, 2020, the 2020 Incentive Plan was approved. The 2020 Incentive Plan provides that the Company may grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, other stock-based awards and other cash based-awards. The 2020 Incentive Plan replaced the 2010 Incentive Award Plan, as amended (the "2010 Incentive Plan"). The Company also has a 2005 Non-Employee Director Plan (the "2005 Director Plan"). As of July 23, 2020, no additional grants may be issued under the 2010 Incentive Plan. Any awards that are outstanding under the 2010 Incentive Plan continue to be subject to the terms and conditions of such plan. Under the 2020 Incentive Plan, the Company may grant up to 529,821 shares of common stock of the Company in addition to (i) 393,015 shares of common stock previously available for issuance under the 2010 Incentive Plan and (ii) up to 113,627 shares of common stock subject to outstanding awards under the 2010 Incentive Plan, which if forfeited

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or lapse unexercised or are settled in cash and are not issued under the prior plan for any reason, may be issued under the 2020 Incentive Plan. As of July 31, 2024, 739,265 shares were available for future issuance under the 2020 Incentive Plan.

The Board of Directors administers all stock plans, approves the individuals to whom options will be granted, and determines the number of shares and exercise price of each option and may delegate this authority to a committee of the Board of Directors or to certain officers of the Company in accordance with Securities and Exchange Commission ("SEC") regulations and applicable Delaware law.

During the fiscal year ended July 31, 2024 and 2023, the Company awarded stock-based compensation under the 2020 Incentive Plan.

On December 15, 2017, under the 2010 Incentive Plan, the Board, upon the recommendation of the Special Committee and the Company's Compensation Committee, approved 428,571 restricted stock grants and 160,714 market based restricted stock grants to non-employee directors of the Company. The 428,571 restricted stock vested immediately on the grant date. The 160,714 market based restricted stock grants do not expire and vest upon the attainment of target stock price hurdles. As of July 31, 2020, 107,142 of the market based restricted stock grants had met the target stock price hurdles. The restricted stock grants and market based restricted stock grants were fully expensed as of July 31, 2021. As discussed in Note 12 - "Commitments and Contingencies", on August 13, 2021 and February 22, 2022, respectively the Company, together with certain of its current and former directors of the Board, entered into a memorandum of understanding and stipulation of settlement with Donald Reith in connection with the initial settlement of the Reith v. Lichtenstein, et al., C.A. No. 2018-0277-MTZ (Del. Ch. 2018) class and derivative action. Under the initial memorandum of understanding and separate letter agreements between the Company and the non-employee directors, such individuals agreed to surrender to the Company an aggregate 353,571 shares that they had initially received in December 2017 in consideration for services to the Company. As of December 31, 2021, the non-employee directors had surrendered to the Company an aggregate 353,571 shares.

For the fiscal year ended July 31, 2024, \$ 0.6 million of share-based compensation expense was recorded in SG&A expenses in the consolidated statements of operations.

For the May 1 to July 31, 2023 Successor Period, \$ 0.2 million of share-based compensation expense was recorded in SG&A expenses in the consolidated statements of operations. For the August 1, 2022 to April 30, 2023 Predecessor Period, \$ 0.5 million of share-based compensation expense was recorded in SG&A expenses in the consolidated statements of operations.

#### *Restricted Stock*

Restricted stock consists of shares of common stock that are subject to restrictions on transfer and risk of forfeiture until the fulfillment of specified conditions. Restricted stock is expensed ratably over the term of the restriction period, ranging from one to five years unless there are performance conditions placed on the restricted stock, in which case the restricted stock is expensed using graded vesting. Restricted stock compensation expense for the fiscal years ended July 31, 2024 and 2023 was \$ 0.6 million and \$ 0.8 million, respectively.

A summary of the activity of the Company's restricted stock for the fiscal year ended July 31, 2024, is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
	(Share amounts in thousands)	
Nonvested stock outstanding, July 31, 2023	54	\$ 10.97
Granted	70	10.43
Vested	( 55 )	10.97
Forfeited	—	—
Nonvested stock outstanding, July 31, 2024	69	\$ 10.43

The fair value of restricted shares is determined based on the market price of the Company's common stock on the grant date. The total grant date fair value of restricted stock that vested during the fiscal years ended July 31, 2024 and 2023 was approximately \$ 0.6 million and \$ 0.8 million, respectively. As of July 31, 2024, there was approximately \$ 0.4 million of total unrecognized compensation cost related to restricted stock to be recognized over a weighted average period of 0.7 years.

*Employee Stock Purchase Plan*

The Company may offer to its employees an Employee Stock Purchase Plan (the "ESPP") under which an aggregate of 64,286 shares of the Company's stock may be issued. Employees who elect to participate in the ESPP instruct the Company to withhold a specified amount through payroll deductions during each quarterly period. On the last business day of each applicable quarterly payment period, the amount withheld is used to purchase the Company's common stock at a purchase price equal to 85 % of the lower of the market price on the first or last business day of the quarterly period. During the fiscal year ended July 31, 2024 and 2023, the Company issued zero shares under the ESPP. Approximately 8,284 shares are available for future issuance as of July 31, 2024.

**(17) INCOME TAXES**

The components of income before provision for income taxes are as follows:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
(In thousands)			
Income before income taxes:			
U.S.	\$ 14,460	\$ 9,866	\$ 2,021
Foreign	6,497	( 2,115 )	7,069
Total income before income taxes	\$ 20,957	\$ 7,751	\$ 9,090

The components of income tax (benefit) expense consist of the following:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
(In thousands)			
Current provision (benefit):			
Federal	\$ 53	\$ 72	\$ 487
State	( 141 )	( 110 )	48
Foreign	1,535	( 110 )	1,095
	1,447	( 148 )	1,630
Deferred (benefit) provision:			
Federal	( 62,128 )	—	—
State	( 6,410 )	—	—
Foreign	68	( 250 )	—
	( 68,470 )	( 250 )	—
Total tax (benefit) provision	\$ ( 67,023 )	\$ ( 398 )	\$ 1,630

As of July 31, 2024, the Company recorded a non-current deferred tax asset of \$ 68.3 million and a non-current deferred tax liability of \$ 0.3 million in "Deferred tax asset" and "Other long-term liabilities", respectively. As of July 31, 2023, the Company recorded a non-current deferred tax asset of \$ 0.3 million and a non-current deferred tax liability of \$ 0.8 million in "Deferred tax asset" and "Other long-term liabilities," respectively. The components of deferred tax assets and liabilities are as follows:

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	Successor	
	July 31, 2024	July 31, 2023
(In thousands)		
Deferred tax assets:		
Accruals and reserves	\$ 2,667	\$ 2,645
Tax basis in excess of financial basis for intangible and fixed assets	166	175
Lease liability	3,031	3,574
Convertible debt	25	—
Research and experiment	43	—
Interest expense disallowance	—	—
Credit carry forwards	25	25
Net operating loss and capital loss carry forwards	85,157	95,832
Total gross deferred tax assets	91,114	102,251
Less: valuation allowance	( 12,721 )	( 90,436 )
Net deferred tax assets	\$ 78,393	\$ 11,815
Deferred tax liabilities:		
Financial basis in excess of tax basis for intangible and fixed assets	\$ ( 7,262 )	\$ ( 8,446 )
Right-of-use asset	( 2,838 )	( 3,454 )
Prepaid expenses	( 322 )	—
Convertible debt	—	( 404 )
Total gross deferred tax liabilities	( 10,422 )	( 12,304 )
Net deferred tax assets (liabilities)	\$ 67,971	\$ ( 489 )

The net change in the total valuation allowance for the fiscal year ended July 31, 2024 was a decrease of approximately \$ 77.7 million. This decrease is primarily due to release of the U.S. valuation allowance associated with the company's NOLs. During the fiscal year ended July 31, 2024, the Company reassessed the need for a valuation allowance against its deferred tax assets. As described in Part I, Item 7 "Critical Accounting Estimates - Income Taxes", after considering historical and projected future taxable income and existing taxable temporary differences, the Company determined that it is more likely than not that the deferred tax assets will be realized. As a result, the Company released substantially all of its valuation allowance on the NOLs carried forward after July 31, 2024, other than the valuation allowance relating to approximately \$ 0.9 million of state NOLs that the Company anticipates will expire unutilized. This release of the valuation allowance resulted in a non-cash income tax benefit of \$ 73.4 million for the year ended July 31, 2024, which increased from the income tax benefit of \$ 71.5 million in the third quarter of fiscal year 2024 due to an increase in taxable income that resulted in more NOLs being utilized before their expiration at fiscal year end. A valuation allowance has also been recorded against the gross deferred tax asset in certain foreign subsidiaries because management believes that after considering all the available objective evidence, both positive and negative, historical and prospective, it is more likely than not that certain assets will not be realized. The net change in the total valuation allowance for the fiscal year ended July 31, 2023 was a decrease of approximately \$ 390.7 million.

The Company has certain deferred tax benefits, including those generated by net operating losses and certain other tax attributes (collectively, the "Tax Benefits"). The Company's ability to use these Tax Benefits could be substantially limited if it were to experience an "ownership change," as defined under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, an ownership change would occur if there is a greater than 50-percentage point change in ownership of securities by stockholders owning (or deemed to own under Section 382 of the Code) five percent or more of a corporation's securities over a rolling three year period.

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law in the United States. Among other provisions, the IRA includes a 15% corporate minimum tax rate applied to certain large corporations and a 1% excise tax on corporate stock repurchases made after December 31, 2022. We do not expect the IRA to have a material impact on our consolidated financial statements.

The Company has estimated its fiscal year 2024 global intangible low-taxed income ("GILTI") inclusion based on its current year foreign activity. The foreign entities have minor earnings and profit adjustments that will be factored in as part of the tax return filing. These amounts are not material and will not have a significant impact on the overall tax provision or disclosure. Due to the net operating losses available in the U.S., the Company is not entitled to a Section 250 deduction, which is why the total income amount has been recorded as the GILTI inclusion. The Company has made an accounting policy

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election, as allowed by the SEC and FASB, to recognize the impact of GILTI within the period incurred. Therefore, no U.S. deferred taxes are provided in GILTI inclusions of future foreign subsidiary earnings.

The Company has net operating loss carryforwards for federal and state tax purposes of approximately \$ 321.6 million and \$ 116.1 million, respectively, at July 31, 2024. As of July 31, 2024, approximately \$ 30.8 million of net operating loss carryforwards for federal and state tax purposes expired. \$ 225.0 million of the company's federal net operating losses will expire from the fiscal year ending July 31, 2027 through the fiscal year ended July 31, 2038 and the remainder federal net operating losses of \$ 96.6 million has an indefinite carryforward period. The state net operating losses will expire from the fiscal year ended July 31, 2026 through the fiscal year ended July 31, 2042. The Company has a foreign net operating loss carryforward of approximately \$ 71.3 million, of which \$ 68.8 million has an indefinite carryforward period.

Income tax (benefit) expense attributable to income differs from the expense computed by applying the U.S. federal income tax rate of 21.0% to income before income taxes as a result of the following:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
(In thousands)			
Computed "expected" income tax expense (benefit)	\$ 4,401	\$ 1,627	\$ 1,909
Increase (decrease) in income tax expense resulting from:			
Change in valuation allowance	( 77,845 )	( 350,469 )	( 424 )
Foreign tax rate differential	( 166 )	( 255 )	( 50 )
Nondeductible expenses	29	459	—
Foreign withholding taxes	( 157 )	245	147
Foreign other adjustments	167	( 246 )	—
GILTI	944	1,141	—
Change in uncertain tax position reserves	( 259 )	( 430 )	11
Section 78 gross-up	270	—	—
State income taxes, net of federal benefit	869	( 1,916 )	37
Expiration of net operating loss	5,027	347,462	—
Deferred true-up	( 361 )	1,786	—
Other	58	198	—
Actual income tax (benefit) expense	\$ ( 67,023 )	\$ ( 398 )	\$ 1,630

The calculation of the Company's income tax liabilities involves dealing with uncertainties in the application of complex tax regulations in several tax jurisdictions. The Company is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, the Company records estimated reserves when necessary. Based on the evaluation of current tax positions, the Company believes it has appropriately accrued for exposures.

The Company operates in multiple taxing jurisdictions, both within and outside of the United States. As of July 31, 2024 and 2023, the total amount of the liability for unrecognized tax benefits, including interest, related to federal, state and foreign taxes was approximately \$ 0.1 million and \$ 0.4 million, respectively. To the extent the unrecognized tax benefits are recognized, the entire amount would impact income tax expense. The Company expects that there will be a \$ 0.1 million reduction of the unrecognized tax benefits in the next twelve months related to the U.S. state income tax exposure as a result of a lapse in the applicable statute of limitations.

The Company files income tax returns in the U.S., various states and in foreign jurisdictions. The federal and state income tax returns are generally subject to tax examinations for the tax years ended July 31, 2021 through July 31, 2024. To the extent the Company has tax attribute carryforwards, the tax year in which the attribute was generated may still be adjusted upon examination by the Internal Revenue Service or state tax authorities to the extent utilized in a future period. In addition, a number of tax years remain subject to examination by the appropriate government agencies for certain countries in the Europe

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and Asia regions. In Europe, the Company's 2016 through 2023 tax years remain subject to examination in most locations while the Company's 2012 through 2023 tax years remain subject to examination in most Asia locations.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
Balance as of beginning of year	\$ 274	\$ 571
Reductions for lapses in statute of limitations	( 189 )	( 297 )
Balance as of end of year	\$ 85	\$ 274

In accordance with the Company's accounting policy, interest related to income taxes is included in the provision for income taxes line of the consolidated statements of operations. For the fiscal years ended July 31, 2024 and 2023, the Company has not recognized any material interest expense related to uncertain tax positions. As of July 31, 2024 and 2023, the Company had recorded liabilities for increases in interest expense related to uncertain tax positions for an immaterial amount. The Company expects \$ 0.1 million of unrecognized tax benefits and related interest will reverse in the next twelve months.

**(18) EARNINGS PER SHARE**

*Earnings Per Share*

As discussed in Note 2 - "Summary of Significant Accounting Policies", the Reverse/Forward Stock Split was effective on June 21, 2023. The Company's shares of outstanding common stock and earnings per share amounts have been retroactively restated for all periods presented for the Reverse/Forward Stock Split. The following table reconciles net income per share for the periods below:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
(In thousands, except per share data)			
<b>Reconciliation of net income to net income attributable to common stockholders after assumed conversions:</b>			
<b>Net income</b>	\$ 87,980	\$ 8,149	\$ 7,460
Less: Preferred dividends on Series C preferred stock	( 2,135 )	( 537 )	( 1,593 )
<b>Net income available to common stockholders</b>	<b>85,845</b>	<b>7,612</b>	<b>5,867</b>
Less: Undistributed earnings allocated to participating securities	( 65,336 )	( 5,803 )	—
<b>Net income attributable to common stockholders</b>	<b>\$ 20,509</b>	<b>\$ 1,809</b>	<b>\$ 5,867</b>
<b>Effect of dilutive securities:</b>			
Interest costs on SPHG Note	\$ 971	\$ —	\$ —
Dividends on Series C preferred stock	2,135	537	1,593
Undistributed earnings allocated to Series E preferred stock	65,336	5,803	—
<b>Net income attributable to common stockholders - assuming dilution</b>	<b>\$ 88,951</b>	<b>\$ 8,149</b>	<b>\$ 7,460</b>
<b>Net income per common share - basic</b>	<b>\$ 3.30</b>	<b>\$ 0.29</b>	<b>\$ 0.91</b>
<b>Net income per common share - diluted</b>	<b>\$ 3.11</b>	<b>\$ 0.29</b>	<b>\$ 0.89</b>
<b>Weighted average common shares outstanding - basic</b>	<b>6,218</b>	<b>6,177</b>	<b>6,449</b>
<b>Effect of dilutive securities:</b>			
Common stock equivalents - Restricted stock and restricted stock shares	64	60	55
Common stock equivalents - SPHG Note	584	—	—
Common stock equivalents - Series C Preferred Stock	1,913	1,913	1,913
Common stock equivalents - Series E Preferred Stock	19,810	19,810	—
<b>Weighted average common shares outstanding - diluted</b>	<b>28,589</b>	<b>27,960</b>	<b>8,417</b>

The Company calculates basic and diluted net income per common share using the two-class method, as the Series E Convertible Preferred Stock issued in the Exchange Transaction meets the definition of a participating security. The two-class method is an allocation formula that determines net income per common share for each share of common stock and Series E Convertible Preferred Stock, a participating security, according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and Series E Convertible Preferred Stock based on their respective rights to receive dividends. The holders of Series E Convertible Preferred Stock are entitled to participate equally and ratably with the holders of shares of Common Stock in all dividends or other distributions on the shares of Common Stock as if, immediately prior to each record date for payment of dividends or other distributions on the Common Stock, shares of Series E Preferred Stock then outstanding were converted into shares of Common Stock. Basic net income per common share is computed by dividing net income attributable to common stockholders for the period by the weighted average number of common shares outstanding for the period. Net income attributable to common stockholders for the period includes dividends paid to common stockholders during the period plus a proportionate share of undistributed net income allocable to common stockholders for the period; the proportionate share of undistributed net income allocable to common stockholders for the period is based on the proportionate share of total weighted-average common shares and participating securities outstanding during the period. Diluted net income per common share is computed based on the weighted average number of shares of common stock outstanding during each period, plus potential common shares considered outstanding during the period, as long as the inclusion of such awards is not antidilutive. Potential common shares consist of restricted common stock (calculated based on the treasury stock method) and shares issuable upon debt or preferred stock conversion (calculated using an as-if converted method), using the more dilutive of either the two-class method or as-converted stock method.

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The Company was not required to apply the two-class method during the August 1, 2022 to April 30, 2023 Predecessor Period as there were no participating securities, and as such, there were no changes to the Predecessor Period other than the retroactive restatement for the Reverse/Forward Stock Split discussed previously.

The below details certain exclusions from the calculation of diluted net income per share for the fiscal year ended July 31, 2024, the May 1 to July 31, 2023 Successor Period and the August 1, 2022 to April 30, 2023 Predecessor Period as their inclusion would have been antidilutive:

No exclusions were required from the calculation of diluted net income per share for the fiscal year ended July 31, 2024, as all securities were considered dilutive.

For the May 1 to July 31, 2023 Successor Period, \$ 0.2 million of interest expense, net of tax impact related to the SPHG Note was excluded from the numerator in the calculation of diluted net income per share as their inclusion would have been antidilutive. For the May 1 to July 31, 2023 Successor Period, 0.6 million common stock equivalent shares (including those related to the SPHG Note) were excluded from the denominator in the calculation of diluted net income per share as their inclusion would have been antidilutive.

For the August 1, 2022 to April 30, 2023 Predecessor Period, \$ 2.3 million of interest expense, net of tax impact related to the SPHG Note were excluded from the numerator in the calculation of diluted net income per share as their inclusion would have been antidilutive. For the August 1, 2022 to April 30, 2023 Predecessor Period, 0.6 million common stock equivalent shares (including those related to the SPHG Note) were excluded from the denominator in the calculation of diluted net income per share as their inclusion would have been antidilutive.

**(19) ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Accumulated other comprehensive income (loss) represents the cumulative other comprehensive income (loss) items that are reported separate from net income and detailed on the Consolidated Statements of Comprehensive Income (Loss).

As discussed in Note 1 - "Nature of Operations", we have elected to apply push-down accounting as of the Exchange Transaction date, May 1, 2023. As part of this election, the Company's accumulated other comprehensive income (loss) was reset to zero at the Exchange Transaction date.

The components of accumulated other comprehensive income, net of income taxes, are as follows:

	Foreign currency items	Pension items	Total
(In thousands)			
Accumulated other comprehensive income (loss) at July 31, 2022 (Predecessor)	\$ 6,063	\$ ( 1,923 )	\$ 4,140
Foreign currency translation adjustment	999	—	999
Pension liability adjustments	—	( 1,078 )	( 1,078 )
Net current-period other comprehensive income (loss)	999	( 1,078 )	( 79 )
Accumulated other comprehensive income (loss) at April 30, 2023 (Predecessor)	7,062	( 3,001 )	4,061
Application of pushdown accounting	( 7,062 )	3,001	( 4,061 )
Accumulated other comprehensive income (loss) at May 1, 2023 (Successor)	—	—	—
Foreign currency translation adjustment	( 623 )	—	( 623 )
Pension liability adjustments	—	36	36
Net current-period other comprehensive (loss) income	( 623 )	36	( 587 )
Accumulated other comprehensive (loss) income at July 31, 2023 (Successor)	( 623 )	36	( 587 )
Foreign currency translation adjustment	( 476 )	—	( 476 )
Pension liability adjustments	—	( 444 )	( 444 )
Net current-period other comprehensive loss	( 476 )	( 444 )	( 920 )
Accumulated other comprehensive loss at July 31, 2024 (Successor)	\$ ( 1,099 )	\$ ( 408 )	\$ ( 1,507 )

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In both the fiscal years ended July 31, 2024 and 2023, the Company recorded an immaterial amount in taxes related to other comprehensive loss.

**(20) STATEMENT OF CASH FLOWS SUPPLEMENTAL INFORMATION**

The amount of cash, cash equivalents and restricted cash as of July 31, 2024 and 2023 in the consolidated statements of cash flows is reconciled to the Company's consolidated balance sheets as follows:

	Successor	
	July 31, 2024	July 31, 2023
	(In thousands)	
Cash and cash equivalents	\$ 248,614	\$ 121,372
Funds held for clients	2,576	2,031
Cash, cash equivalents and restricted cash	<u>\$ 251,190</u>	<u>\$ 123,403</u>

Cash used for operating activities reflect cash payments for interest and income taxes as follows:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Cash paid for interest	\$ 1,009	\$ 9	\$ 1,145
Cash paid for income taxes	\$ 2,204	\$ 3,008	\$ —

Cash paid for taxes can be lower than income tax expense as shown on the Company's consolidated statements of operations due to the timing of required payments in relation to recorded expense, which can cross fiscal years.

*Non-Cash Activities*

There were no non-cash investing activities for the fiscal year ended July 31, 2024. Non-cash investing activities during the May 1 to July 31, 2023 Successor Period included \$ 154.5 million for unsettled proceeds from the disposition of the Aerojet shares. The proceeds were received in August 2023.

Non-cash financing activities during the fiscal years ended July 31, 2024 and 2023 included the issuance of approximately 0.1 million and 0.1 million shares, respectively, of non-vested common stock, valued at approximately \$ 0.7 million and \$ 0.7 million, respectively, to certain employees and non-employees of the Company. The Company also approved \$ 57.4 thousand of accelerated compensation cost related to unvested shares that were approved to vest during the fiscal year ended July 31, 2023. Additionally, non-cash financing activities during the May 1 to July 31, 2023 Successor Period included the issuance of \$ 202.7 million of Series E Preferred Stock in exchange for 3.6 million shares of common stock, par value \$ 0.10 per share, of Aerojet held by Steel Holdings in the Exchange Transaction.

**(21) STOCKHOLDERS' EQUITY**

*Preferred Stock*

The Company's Board of Directors has the authority, subject to any limitations prescribed by Delaware law, to issue shares of preferred stock in one or more series and to fix and determine the designation, privileges, preferences and rights and the qualifications, limitations and restrictions of those shares, including dividend rights, conversion rights, voting rights, redemption rights, terms of sinking funds, liquidation preferences and the number of shares constituting any series or the designation of the series, without any further vote or action by stockholders. Any shares of the Company's preferred stock so issued may have priority over its common stock with respect to dividend, liquidation and other rights. The Board of Directors may authorize the issuance of preferred stock with voting rights or conversion features that could adversely affect the voting power or other rights of the holders of its common stock. Although the issuance of preferred stock could provide us with flexibility in connection with possible acquisitions and other corporate purposes, under some circumstances, it could have the effect of delaying, deferring or preventing a change of control.

*Series C Preferred Stock*

On December 15, 2017, the Company entered into a Preferred Stock Purchase Agreement (the "Purchase Agreement") with SPHG Holdings, pursuant to which the Company issued 35,000 shares of the Company's newly created Series C Convertible Preferred Stock, par value \$ 0.01 per share (the "Series C Convertible Preferred Stock"), to SPHG Holdings at a price of \$ 1,000 per share, for an aggregate purchase consideration of \$ 35.0 million (the "Series C Convertible Preferred Stock Transaction"). The terms, rights, obligations and preferences of the Preferred Stock are set forth in a Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock of the Company (the "Series C Certificate of Designations"), which has been filed with the Secretary of State of the State of Delaware.

Under the Series C Certificate of Designations, each share of Series C Convertible Preferred Stock can be converted into shares of the Company's common stock, par value \$ 0.01 per share (the "Common Stock"), at an initial conversion price equal to \$ 18.29 per share, subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction. Holders of the Series C Convertible Preferred Stock will also receive dividends at 6 % per annum payable, at the Company's option, in cash or Common Stock. If at any time the closing bid price of the Company's Common Stock exceeds 170 % of the conversion price for at least five consecutive trading days (subject to appropriate adjustments for any stock dividend, stock split, stock combination, reclassification or similar transaction), the Company has the right to require each holder of Series C Convertible Preferred Stock to convert all, or any whole number, of shares of the Series C Convertible Preferred Stock into Common Stock.

Upon the occurrence of certain triggering events such as a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, or the merger or consolidation of the Company or significant subsidiary, or the sale of substantially all of the assets or capital stock of the Company or a significant subsidiary, the holders of the Series C Convertible Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of other equity or equity equivalent securities of the Company other than the Series C Convertible Preferred Stock by reason of their ownership thereof, an amount per share in cash equal to the sum of (i) 100 % of the stated value per share of Series C Convertible Preferred Stock (initially \$ 1,000 per share) then held by them (as adjusted for any stock dividend, stock split, stock combination, reclassification or other similar transactions with respect to the Series C Convertible Preferred Stock), plus (ii) 100 % of all declared but unpaid dividends, and all accrued but unpaid dividends on each such share of Series C Convertible Preferred Stock, in each case as the date of the triggering event.

On or after December 15, 2022, each holder of Series C Convertible Preferred Stock can also require the Company to redeem its Series C Convertible Preferred Stock in cash at a price equal to the Liquidation Preference (as defined in Series C Certificate of Designations).

Each holder of Series C Convertible Preferred Stock has a vote equal to the number of shares of Common Stock into which its Series C Convertible Preferred Stock would be convertible as of the record date, provided that the number of shares voted is based upon a conversion price which is no less than the greater of the book or market value of the Common Stock on the closing date of the purchase of the Series C Convertible Preferred Stock. In addition, for so long as the Series C Convertible Preferred Stock remains outstanding, the Company will not, directly or indirectly, and including in each case with respect to any significant subsidiary, without the affirmative vote of the holders of a majority of the Series C Convertible Preferred Stock (i) liquidate, dissolve or wind up the Company or any significant subsidiary; (ii) consummate any transaction that would constitute or result in a Liquidation Event (as defined in the Series C Certificate of Designations); (iii) effect or consummate any Prohibited Issuance (as defined in the Series C Certificate of Designations); or (iv) create, incur, assume or suffer to exist any Indebtedness (as defined in the Series C Certificate of Designations) of any kind, other than certain existing Indebtedness of the Company and any replacement financing thereto, unless any such replacement financing is on substantially similar terms as such existing Indebtedness.

The Purchase Agreement provides that the Company will use its commercially reasonable efforts to effect the piggyback registration of the Common Stock issuable on the conversion of the Series C Convertible Preferred Stock and any securities issued or issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing, with the SEC in the manner reasonably requested by the holder and the qualification of the securities in all states reasonably requested by the holder, in each case, in accordance with certain enumerated conditions. The Purchase Agreement also contains other representations, warranties and covenants, customary for an issuance of Series C Convertible Preferred Stock in a private placement of this nature.

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The Series C Convertible Preferred Stock Transaction was approved and recommended to the Board of Directors by the Special Committee of the Board of Directors consisting of independent directors not affiliated with Steel Holdings GP, which controls the power to vote and dispose of the securities held by SPHG Holdings and its affiliates.

### *Series E Preferred Stock*

On May 1, 2023, the Company and Steel Holdings executed a series of agreements in which the Steel Partners Group agreed to transfer certain marketable securities held by the Steel Partners Group to Steel Connect in exchange for 3.5 million shares of Series E Convertible Preferred Stock of Steel Connect (the "Series E Convertible Preferred Stock", and, such transfer the "Transfer and Exchange Agreement"). Pursuant to the Transfer and Exchange Agreement, the Company held a special stockholders' meeting on June 6, 2023 (the "Special Meeting") to consider and vote upon the rights of the Series E Preferred Stock to vote and receive dividends together with the Common Stock on an as-converted basis and the issuance of the Company's common stock (the "Common Stock") upon conversion of the Series E Preferred Stock by the holders at their option, pursuant to the rules and regulations of Nasdaq (the "Nasdaq Proposal"). Following approval of the Nasdaq Proposal by the Steel Connect stockholders (the "Stockholder Approval"), the Series E Convertible Preferred Stock became convertible into an aggregate of 19.8 million shares of the Common Stock, and votes together with the Common Stock and participates in any dividends paid on the Common Stock, in each case on an as-converted basis. Refer to Note 24 - "Related Party Transactions" for more information on the Voting Agreement.

The terms, rights, obligations and preferences of the Series E Convertible Preferred Stock are set forth in a Certificate of Designations, Preferences and Rights of Series E Convertible Preferred Stock of the Company (the "Series E Certificate of Designations"), which are summarized below:

Any holder of the Series E Convertible Preferred Stock ("Holder"), may, at its option, convert all or any shares of Series E Convertible Preferred Stock held by such Holder into Common Stock based on a conversion price of \$ 10.27 (the "Conversion Price") per share, subject to appropriate adjustments for any stock dividend, stock split, stock combination, or similar transaction by delivering to the Company a conversion notice.

Holders are entitled to participate equally and ratably with the holders of shares of Common Stock in all dividends or other distributions on the shares of Common Stock as if, immediately prior to each record date for payment of dividends or other distributions on the Common Stock, shares of the Series E Convertible Preferred Stock then outstanding were converted into shares of Common Stock. Dividends or other distributions payable will be payable on the same date that such dividends or other distributions are payable to holders of shares of Common Stock, and no dividends or other distributions will be payable to holders of shares of Common Stock unless dividends or such other distributions are also paid at the same time in respect of the Series E Convertible Preferred Stock.

Upon the occurrence of certain triggering events such as a liquidation, dissolution or winding up of the Company, either voluntary or involuntary, any merger or consolidation in which the Company is a constituent party or a Significant Subsidiary is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation such that the stockholders of the Company prior to such merger or consolidation hold less than 50.0 % of the aggregate voting securities of the Corporation following such merger or consolidation, or the sale of substantially all of the assets or capital stock of the Company or a significant subsidiary (collectively, or any of these, a "Liquidation Event(s)"), the holders of the Series E Convertible Preferred Stock are entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Common Stock by reason of their ownership thereof, an amount per share in cash equal to \$58.1087 (as adjusted for any stock split, stock dividend, stock combination or other similar transactions with respect to the Series E Convertible Preferred Stock ("the Series E Convertible Preferred Stock Liquidation Preference"). In the event that the Series E Convertible Preferred Stock Liquidation Preference is not paid with respect to any shares of Series E Convertible Preferred Stock as required to be paid, such shares shall continue to be entitled to dividends and all such shares shall remain outstanding and entitled to all the rights and preferences provided within the Series E Certificate of Designations.

The Company nor the Holder have any rights to redeem the Series E Convertible Preferred Stock.

Prior to obtaining the Stockholder Approval, the Series E Convertible Preferred Stock was non-voting and did not have the right to vote on any matters presented to the stockholders of the Company. Following the date on which Stockholder Approval was obtained, which was approved by the Company's stockholders at the special stockholders' meeting held on June 6, 2023, each Holder is now entitled to vote with holders of outstanding shares of Common Stock, voting together as a single class, with respect to any and all matters presented to the stockholders of the Company for their action or consideration (whether at a meeting of stockholders of the Company, by written action of stockholders in lieu of a meeting or otherwise), except as provided by law. In any such vote, each Holder is entitled to a number of votes equal to the largest number of whole

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shares of Common Stock into which all shares of Series E Convertible Preferred Stock held of record by such Holder is convertible as of the record date for such vote or written consent or, if there is no specified record date, as of the date of such vote or written consent.

*Common Stock*

Each holder of the Company's common stock is entitled to:

- one vote per share on all matters submitted to a vote of the stockholders, subject to the rights of any preferred stock that may be outstanding;
- dividends as may be declared by the Company's Board of Directors out of funds legally available for that purpose, subject to the rights of any preferred stock that may be outstanding; and
- a pro rata share in any distribution of the Company's assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding preferred stock in the event of liquidation.

Holders of the Company's common stock have no cumulative voting rights, redemption rights or preemptive rights to purchase or subscribe for any shares of its common stock or other securities. All of the outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of its common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any existing series of preferred stock and any series of preferred stock that the Company may designate and issue in the future. There are no redemption or sinking fund provisions applicable to the Company's common stock.

**(22) FAIR VALUE MEASUREMENTS**

*Assets and Liabilities that are Measured at Fair Value on a Recurring Basis*

The following tables present the Company's financial assets and liabilities measured at fair value on a recurring basis as of July 31, 2024 and 2023, classified by fair value hierarchy:

(In thousands)	Fair Value Measurements at Reporting Date Using			
	Successor July 31, 2024	Level 1	Level 2	Level 3
<b>Assets:</b>				
Money market funds	\$ 235,221	\$ 235,221	\$ —	\$ —
Convertible loan note investment	—	—	—	—
Other investments	41,376	41,376	—	—
<b>Liabilities:</b>				
SPHG Note	\$ 12,903	\$ —	\$ —	\$ 12,903

(In thousands)	Fair Value Measurements at Reporting Date Using			
	Successor July 31, 2023	Level 1	Level 2	Level 3
<b>Assets:</b>				
Money market funds	\$ 85,269	\$ 85,269	\$ —	\$ —
<b>Liabilities:</b>				
SPHG Note	\$ 12,461	\$ —	\$ —	\$ 12,461

There were no transfers between Levels 1, 2 or 3 during any of the periods presented.

ASC 820, *Fair Value Measurement*, provides that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. ASC 820 requires the Company to use valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

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Level 1: Observable inputs such as quoted prices for identical assets or liabilities in active markets

Level 2: Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities or market-corroborated inputs

Level 3: Unobservable inputs for which there is little or no market data and which require the Company to develop its own assumptions about how market participants would price the assets or liabilities

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are determined using pricing models, and the inputs to those pricing models are based on observable market inputs. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

### *Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis*

The Company's assets and liabilities that are measured at fair value on a nonrecurring basis include long-lived assets and goodwill and other intangible assets. The Company reviews the carrying amounts of these assets whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of the asset group or reporting unit is not recoverable and exceeds its fair value. The Company estimates the fair values of assets subject to impairment based on the Company's own judgments about the assumptions that market participants would use in pricing the assets and on observable market data, when available.

### *Fair Value of Financial Instruments*

The Company's financial instruments not measured at fair value on a recurring basis include cash and cash equivalents, accounts receivable, customer deposits, accounts payable, and restricted cash, and are reflected in the consolidated financial statements at carrying value. Carrying value approximates fair value for these items due to their short-term maturities or expected settlement dates of these instruments.

Subsequent to the issuance of fiscal year 2023 financial statements, the Company determined that the money market funds balance as of July 31, 2023 in the above table, was understated by \$ 54.2 million. The Company corrected this immaterial error in the table above as of July 31, 2023. This disclosure change did not have any impact to amounts recognized in the consolidated balance sheets.

Following is a summary of changes in financial assets and liabilities measured using Level 3 inputs:

(in thousands)	Convertible Loan Note	
	SPHG Note <sup>(a)</sup>	Investment <sup>(a)</sup>
Balance as of July 31, 2023 (Successor)	\$ 12,461	\$ —
Purchases	—	1,227
Change in fair value	442	( 1,227 )
Balance as of July 31, 2024 (Successor)	\$ 12,903	\$ —

(a) Unrealized losses are recorded in Other gains, net within the condensed consolidated statements of operations.

### *Valuation Techniques*

Included in cash and cash equivalents in the accompanying consolidated balance sheets are money market funds. These are valued at quoted market prices in active markets.

The Company uses quoted market prices to determine the fair value of investments in equity securities with readily determinable fair value.

Prior to the date of the Exchange Transaction, the Company did not measure the fair value of the SPHG Note on a recurring basis, as the assumption was that the carrying value of the liability component of the SPHG Note approximated fair value because the stated interest rate of this debt was consistent with current market rates. In conjunction with the application of pushdown accounting, the Company now measures the fair value of the SPHG Note on a recurring basis. Refer to Note 10 - "Debt" for further details. The Company estimates the value of the SPHG Note using a Binomial Lattice Model. Key inputs in

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the valuation include the trading price and volatility of Steel Connect's common stock, the risk-free rate of return, as well as the dividend rate, conversion price, and maturity date. The Company recognized \$ 0.4 million and \$ 0.5 million in unrealized losses in Other gains, net within the condensed consolidated statements of operations for the fiscal year ended July 31, 2024 and during the May 1 to July 31, 2023 Successor Period, respectively, as a result of the fair value measurements performed. There were no unrealized gains or losses recognized during the August 1 to April 30, 2023 Predecessor Period. The Company determined that there have been no changes to the fair value of the SPHG Note from the second quarter of fiscal year 2024, given that the fair value remeasurement performed as of January 31, 2024 yielded \$ 12.9 million, which equates to the principal balance remaining on the SPHG Note. The SPHG Note matured on September 1, 2024 and the Company paid off the outstanding principal and accrued interest for the SPHG Note upon its maturity.

As discussed in Note 6 - "Investments", the Company elected the fair value option to account for their convertible loan note investment. In April 2024, the Company determined that the fair value of the investment is zero . As such, the Company recorded a loss of \$ 1.2 million to the condensed consolidated statement of operations during the third quarter of fiscal year 2024. As of July 31, 2024, there was no new information available that would indicate that the fair value of the convertible loan note investment had changed. There were no unrealized gains or losses recorded to the condensed consolidated statement of operations during the fiscal year ended July 31, 2023, as the convertible loan note investment was a new investment in October 2023.

**(23) SEGMENT INFORMATION**

Subsequent to the Company's disposition of the Direct Marketing reportable segment in the IWCO Direct Disposal in February 2022, the Company has one reportable segment: Supply Chain. The Company also has Corporate-level activity, which consists primarily of activity related to business development to manage investments and cash, as well as costs associated with certain corporate administrative functions such as legal, finance and share-based compensation, which are not allocated to the Company's reportable segment. The Corporate-level balance sheet information includes cash and cash equivalents, debt and other assets and liabilities which are not identifiable to the operations of the Company's operating segment. All significant intra-segment amounts have been eliminated. Management evaluates segment performance based on segment net revenue and operating income (loss).

Management evaluates segment performance based on segment net revenue, operating income (loss) and "adjusted operating income (loss)," which is defined as the operating income (loss) excluding net charges related to depreciation, amortization of long-lived asset impairment, share-based compensation and restructuring. 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.

Summarized financial information of the Company's operations by operating segment is as follows:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Net revenue:			
Supply Chain	\$ 174,109	\$ 40,804	\$ 148,283
Total segment net revenue	\$ 174,109	\$ 40,804	\$ 148,283
Operating income:			
Supply Chain	13,739	3,328	16,488
Corporate-level activity	( 6,278 )	( 1,707 )	( 9,699 )
Total operating income	7,461	1,621	6,789
Total other income	13,496	6,130	2,301
Income before income taxes	\$ 20,957	\$ 7,751	\$ 9,090

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	Successor	
	July 31, 2024	July 31, 2023
(In thousands)		
<b>Total assets:</b>		
Supply Chain	\$ 149,198	\$ 146,614
Corporate	336,430	264,567
<b>Total assets</b>	<b>\$ 485,628</b>	<b>\$ 411,181</b>

Summarized financial information of the Company's capital expenditures and depreciation expense for the Supply Chain reportable segment is as follows:

	Successor		Predecessor
	Fiscal Year Ended July 31, 2024	May 1 to July 31, 2023	August 1, 2022 to April 30, 2023
(In thousands)			
Capital expenditures	\$ 3,965	\$ 807	\$ 1,311
Depreciation expense	1,826	456	1,427

Summarized financial information of the Company's net revenue by geographic location is as follows:

	Successor		Predecessor
	Fiscal Year Ended July 31, 2024	May 1 to July 31, 2023	August 1, 2022 to April 30, 2023
(In thousands)			
Mainland China	\$ 61,339	\$ 14,649	\$ 48,049
United States	40,860	8,800	38,262
Netherlands	21,720	5,774	15,149
Singapore	17,144	4,448	14,940
Czech	14,320	3,336	19,497
Other	18,726	3,797	12,386
<b>Total consolidated net revenue</b>	<b>\$ 174,109</b>	<b>\$ 40,804</b>	<b>\$ 148,283</b>

**(24) RELATED PARTY TRANSACTIONS**

As of July 31, 2024, the Steel Partners Group beneficially owned approximately 89.7 % of our outstanding capital stock, including the if-converted value of the SPHG Note and shares of Series C Convertible Preferred Stock and Series E Convertible Preferred Stock that vote on an as-converted basis together with our Common Stock. The exclusion of the if-converted value of the SPHG Note would have resulted in the Steel Partners Group holding approximately 89.5 % of our outstanding capital stock. Warren G. Lichtenstein, our Interim Chief Executive Officer and the Executive Chairman of our Board, is also the Executive Chairman of Steel Holdings GP. Glen Kassan, our Vice Chairman of the Board of Directors and former Chief Administrative Officer, is an employee of Steel Services. Jack L. Howard, the President and a director of Steel Holdings GP, is also a director. Joseph Martin, one of our directors, is the Chief Administrative Officer and Chief Legal Officer of Steel Holdings. Ryan O'Herrin, our Chief Financial Officer, is the Chief Financial Officer of Steel Holdings.

*SPHG Note Transaction*

On February 28, 2019, the Company entered into the SPHG Note Purchase Agreement with SPHG Holdings, whereby SPHG Holdings agreed to loan the Company \$ 14.9 million in exchange for the SPHG Note.

On March 9, 2023 (the "Amendment Date"), the Company and SPHG Holdings entered into an amendment to the SPHG Note. Pursuant to the SPHG Note Amendment, the maturity date of the SPHG Note was extended six months from March 1, 2024 to September 1, 2024. The Company repaid \$ 1.0 million in principal amount of the SPHG Note on the Amendment Date, and repaid an additional \$ 1.0 million principal amount of the note on June 9, 2023. In connection with the SPHG Note

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Amendment, the Company also paid SPHG Holdings a cash amendment fee of \$ 0.1 million, and derecognized \$ 0.2 million of the debt discount in proportion to the reduction of the principal balance on the Amendment Date in the third quarter of fiscal year 2023. No other changes were made to the terms of the SPHG Note besides the items discussed.

During the fiscal year ended July 31, 2024, and the May 1 to July 31, 2023 Successor Period, the Company recognized interest expense of \$ 1.0 million and \$ 0.3 million, respectively, associated with the SPHG Note. During the August 1, 2022 to April 30, 2023 Predecessor Period, the Company recognized interest expense of \$ 2.5 million associated with the SPHG Note.

The SPHG Note matured on September 1, 2024, and the Company paid off the outstanding principal and accrued interest for the SPHG Note upon its maturity.

### *Preferred Stock Transactions*

Refer to Note 21 – “Stockholders’ Equity” for information on the Series C Preferred Stock Purchase Agreement with SPHG Holdings. During each of the fiscal years ended July 31, 2024 and 2023, the Company paid dividends of \$ 2.1 million and \$ 2.1 million, respectively, associated with the Series C Convertible Preferred Stock.

Refer to Note 21 – “Stockholders’ Equity” for information on the Transfer and Exchange Agreement with the Steel Partners Group, where the Company exchanged 3.5 million shares of Series E Convertible Preferred Stock of Steel Connect for certain marketable securities held by the Steel Partners Group.

### *Stockholders’ Agreement*

Concurrently with the execution of the Transfer and Exchange Agreement, the Company, Steel Holdings, Steel Excel, WebFinancial, WHX CS, LLC, WF Asset Corp., Steel Partners Ltd., Warren G. Lichtenstein and Jack L. Howard (together, the “SP Investors”) entered into a Stockholders’ Agreement dated as of April 30, 2023 (the “Stockholders’ Agreement”). Pursuant to the Stockholders’ Agreement, the parties agreed to certain aspects of the Company’s governance, including the maintenance of the Board size at seven directors and the creation of an audit committee consisting of at least three independent directors under SEC and applicable stock exchange rules (an “Independent Audit Committee”) or one consisting of at least three directors, at least one of whom qualifies as independent under SEC and applicable stock exchange rules and the remainder of whom are not affiliated, as described in the Stockholders’ Agreement, with the Company or the SP Investors or their subsidiaries or affiliates (the “Disinterested Audit Committee”).

The Stockholders’ Agreement further provides that (a) prior to September 1, 2025 the prior approval of the Independent Audit Committee or the Disinterested Audit Committee, as applicable, is required for the following: (i) a voluntary delisting of the common stock from the applicable stock exchange or a transaction (including a merger, recapitalization, stock split or otherwise) which results in the delisting of the common stock, Steel Connect ceasing to be an SEC reporting company, or Steel Connect filing a Form 25 or Form 15 or any similar form with the SEC; (ii) an amendment to the terms of the STCN Management Services Agreement (the “Services Agreement”) dated June 14, 2019, by and between Steel Connect and Steel Services Ltd.; and (iii) any related party transaction between Steel Connect and the SP Investors and their subsidiaries and affiliates; (b) prior to September 1, 2028, the prior approval of the Independent Audit Committee or the Disinterested Audit Committee, as applicable, is required for the Board to approve a going private transaction pursuant to which Steel Holdings or its subsidiaries or affiliates acquires the outstanding shares of common stock they do not own (or any alternative transaction that would have the same impact); and (c) until the Final Sunset Date (as defined in the Stockholders’ Agreement), the prior approval of the Independent Audit Committee or the Disinterested Audit Committee, as applicable, is required (i) for the Board to approve a short-form or squeeze-out merger between Steel Connect and the SP Investors; or (ii) prior to any transfer of equity interests in Steel Connect by the members of the SP Group (as defined in the Stockholders’ Agreement) if such transfers would result in 80 % of the voting power and value of the equity interests in Steel Connect that are held by the members of the SP Group being held by one corporate entity.

Currently, the Stockholders’ Agreement also provides that 70 % of the net proceeds received by the Company upon resolution of the Reith litigation will be distributed to the Company’s stockholders with the SP Investors agreeing to waive their portion of any such distribution to the extent of any shares of common stock held as of the date of the Stockholders’ Agreement or issuable upon conversion of the Series E Convertible Preferred Stock held by the SP Investors and the Series C Convertible Preferred Stock of Steel Connect, and the SPHG Note. Any amendment to the Stockholders’ Agreement by the Company prior to the date that any person or group of related persons owns 100 % of the equity securities of the Company requires the prior approval of the Independent Audit Committee or the Disinterested Audit Committee, as applicable. As described in the notes to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, if the Proposed Settlement is approved, the Company will make certain changes to the Stockholders’ Agreement as described above, including that 100 % of the net proceeds received by the Company upon resolution of the Reith litigation will be distributed to the Company’s stockholders.

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*Steel Connect Management Services Agreement*

On June 14, 2019, the Company entered into an agreement (the "STCN Management Services Agreement") with Steel Services Ltd. ("Steel Services"), an indirect wholly-owned subsidiary of Steel Holdings. The STCN Management Services Agreement was effective as of June 1, 2019. Pursuant to the STCN Management Services Agreement, Steel Services provides the Company and its subsidiaries with the non-exclusive services of certain employees, including certain executive officers (including chief financial officer and general counsel services) and other corporate services. The STCN Management Services Agreement also provides for reimbursements to Steel Services and its representatives for all reasonable expenses incurred in providing the non-exclusive services and automatically renews for successive one year periods unless and until terminated by the Company or Steel Services. On February 25, 2022, in connection with the Company's disposal of its ownership in IWCO Direct Holdings, Inc., the management fee was reduced from \$ 282.8 thousand per month to \$ 101.9 thousand per month.

On October 25, 2023, the Company and Steel Services entered into Amendment No. 2 to the STCN Management Services Agreement, pursuant to which the parties agreed to increase the monthly fee to \$ 131.0 thousand effective as of January 1, 2024, primarily to increase the business development and mergers and acquisition staffing needed to originate, analyze and pursue strategic acquisitions and investments.

Prior to the effective date of Amendment No. 2 to the STCN Management Services Agreement, expenses incurred by ModusLink were paid to Steel Services under the STCN Management Services Agreement.

*ModusLink Management Services Agreement*

On October 25, 2023, ModusLink entered into a management services agreement (the "ModusLink Management Services Agreement") with Steel Services, effective as of January 1, 2024. Pursuant to the ModusLink Management Services Agreement, Steel Services will provide ModusLink with certain non-exclusive services of certain employees and executive officers to serve in various positions or functions and to perform duties normally associated with those specific to, or substantially equivalent, positions or functions for ModusLink based on its particular needs. Such services include, but are not limited to, services related to legal and environmental, health and safety, finance, tax and treasury, human resources, "lean," internal audit, mergers and acquisitions, and information technology. Previously, the terms regarding such non-exclusive services were governed by the STCN Management Services Agreement.

The ModusLink Management Services Agreement provides that ModusLink will pay Steel Services a fixed monthly fee of \$ 80.0 thousand in consideration of the non-exclusive services and will reimburse Steel Services and its representatives for all reasonable expenses incurred in providing the services. The ModusLink Management Services Agreement will automatically renew for successive one-year periods unless and until terminated by ModusLink or Steel Services.

Total expenses incurred related to the management services agreements for the Successor and Predecessor periods are below and are recorded within the consolidated statements of operations to Selling, general and administrative expense:

	Successor		Predecessor
	Fiscal Year Ended		August 1, 2022 to
	July 31,	May 1 to July 31,	April 30,
	2024	2023	2023
	(In thousands)		
Management services agreement expenses	\$ 2,936	\$ 617	\$ 1,736

As of July 31, 2024 and 2023, amounts due to Steel Services were \$ 0.1 million and \$ 0.7 million, respectively and are recorded within the consolidated balance sheets as a component of Accounts payable.

*ModusLink Employee Stock Awards*

On May 14, 2024, the Company agreed to reimburse Steel Holdings for the issuance by Steel Holdings of restricted limited partnership units to certain ModusLink employees.

Total expenses incurred related to the ModusLink Stock Awards were \$ 0.2 million for the fiscal year ended July 31, 2024. As of July 31, 2024, amounts due to Steel Services were \$ 0.2 million and are recorded within the consolidated balance sheets as a component of Accounts payable.

*Air Travel*

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The Company reimburses SP General Services, LLC (an affiliate of Steel Holdings), rather than Steel Services, for expenses for business-related air travel, which relates to services provided to the Company by Warren G. Lichtenstein as Interim Chief Executive Officer as well as certain of the Company's executive officers whose services are provided to the Company under the STCN Management Services Agreement or the ModusLink Management Services Agreement. During the fiscal year ended July 31, 2024, SP General Services, LLC incurred \$ 1.8 million in expenses for business-related air travel. During the fiscal year ended July 31, 2023, SP General Services, LLC did not incur any reportable expenses for such business-related air travel. As of July 31, 2024, amounts due to SP General Services, LLC were \$ 1.6 million. There was no balance due to SP General Services, LLC as of July 31, 2023.

### **ITEM 9.— CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A.— CONTROLS AND PROCEDURES**

#### *Evaluation of Disclosure Controls and Procedures*

An evaluation was performed under the supervision and with the participation of our management, including the Interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Report. "Disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Based upon that evaluation, management, including the Interim Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls were effective as of July 31, 2024.

#### *Management's Report on Internal Control over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as such terms are defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of its financial reporting and the preparation of its financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of and with the participation of management, including the Interim Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of July 31, 2024.

#### *Changes in Internal Control over Financial Reporting*

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There have been no changes in our internal control over financial reporting during the quarter ended July 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B.— OTHER INFORMATION**

During the three months ended July 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 9C.— DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

**PART III**

**ITEM 10.— DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Unless earlier included in an amendment to this Form 10-K, the information with respect to directors and executive officers required by this item will be contained in our definitive proxy statement to be filed with the SEC not later than 120 days after the close of business of the fiscal year and is incorporated in this Report by reference.

During the fiscal year ended July 31, 2024, we made no material changes to the procedures by which stockholders may recommend nominees to our Board of Directors, as described in our definitive proxy statement on Schedule 14A filed with the SEC on July 31, 2024.

The Company has adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees of the Company, including the Company's principal executive officer, and its senior financial officers (principal financial officer and controller or principal accounting officer, or persons performing similar functions). The Company's Code of Business Conduct and Ethics is posted on its website, [www.steelconnectinc.com](http://www.steelconnectinc.com) (under the Corporate Governance section). We intend to satisfy the disclosure requirement regarding any amendment to, or waiver of, a provision of the Code of Business Conduct and Ethics applicable to the Company's principal executive officer or its senior financial officers (principal financial officer and controller or principal accounting officer, or persons performing similar functions) by posting such information on our website as required by the rules of the SEC or Nasdaq.

**ITEM 11.— EXECUTIVE COMPENSATION**

Unless earlier included in an amendment to this Form 10-K, the information required by this item will be contained in our definitive proxy statement and is incorporated in this Report by reference.

**ITEM 12.— SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Unless earlier included in an amendment to this Form 10-K, information regarding the security ownership of certain beneficial owners and management will be contained in our definitive proxy statement and is incorporated in this Report by reference.

**Equity Compensation Plan Information as of July 31, 2024**

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The following table sets forth certain information regarding the Company's equity compensation plans as of July 31, 2024:

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	—	\$ —	747,549 <sup>(1)(2)</sup>
Equity compensation plans not approved by security holders	—	\$ —	—
<b>Total</b>	<b>—</b>	<b>\$ —</b>	<b>747,549</b>

(1) Includes:

- Approximately 8,284 shares available for issuance under the Company's Amended and Restated 1995 Employee Stock Purchase Plan, as amended.
- 739,265 shares available for future issuance under the 2020 Stock Incentive Compensation Plan.

(2) On June 12, 2020, the Company's Board of Directors adopted, subject to stockholder approval, the Steel Connect Inc. 2020 Stock Incentive Compensation Plan ("2020 Incentive Plan"), and on July 23, 2020, the 2020 Incentive Plan was approved. The 2020 Incentive Plan replaces the 2010 Incentive Award Plan, as amended (the "2010 Incentive Plan"). The Company also has a 2005 Non-Employee Director Plan (the "2005 Director Plan"). As of December 2010, no grants were allowed under the 2005 Director Plan. As of July 23, 2020, no additional grants may be issued under the 2010 Incentive Plan. Any awards that are outstanding under the 2010 Incentive Plan continue to be subject to the terms and conditions of such plan.

**ITEM 13.— CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Unless earlier included in an amendment to this Form 10-K, the information required by this item will be contained in our definitive proxy statement and is incorporated in this Report by reference.

**ITEM 14.— PRINCIPAL ACCOUNTING FEES AND SERVICES**

Unless earlier included in an amendment to this Form 10-K, the information required by this item will be contained in our definitive proxy statement and is incorporated in this Report by reference.

**PART IV**

**ITEM 15.— EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements.

The financial statements listed in the Index to Consolidated Financial Statements are filed as part of this Report.

(a) 2. Financial Statement Schedules.

All financial statement schedules have been omitted as they are either not required, not applicable, or the information is otherwise included.

(a) 3. Exhibits.

The exhibits listed in the Exhibit Index are filed, furnished or incorporated by reference in this Annual Report.

**EXHIBIT INDEX**

Exhibit Number	Exhibit Description
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- 2.1† [Transaction Agreement, dated as of February 25, 2022, by and among IWCO Direct Holdings Inc., Cerberus Business Finance, LLC, the entities listed on the signature pages thereto under the caption "Lenders," Steel Connect, Inc., SPH Group Holdings LLC, Instant Web Holdings, LLC, and the other parties thereto is incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated February 25, 2022.](#)
- 3.1 [Restated Certificate of Incorporation of the Registrant is incorporated herein by reference to Exhibit 3.4 to the Registrant's Current Report on Form 8-K dated September 29, 2008.](#)
- 3.2 [Fourth Amended and Restated Bylaws of ModusLink Global Solutions, Inc., as currently in effect is incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 23, 2014.](#)
- 3.3 [Certificate of Elimination of Series B Junior Participating Preferred Stock of ModusLink Global Solutions, Inc., dated March 26, 2013 is incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 26, 2013.](#)
- 3.4 [Amendment to the Restated Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on December 29, 2014 is incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 5, 2015.](#)
- 3.5 [Certificate of Amendment of the Restated Certificate of Incorporation of ModusLink Global Solutions, Inc. \(Effecting the Reverse Split\), filed with the Secretary of State of the State of Delaware on January 16, 2015 is incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 22, 2015.](#)
- 3.6 [Certificate of Amendment of the Restated Certificate of Incorporation of ModusLink Global Solutions, Inc. \(Effecting the Forward Split\), filed with the Secretary of State of the State of Delaware on January 16, 2015 is incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on January 22, 2015.](#)
- 3.7 [Certificate of Designations, Preferences and Rights of Series C Convertible Preferred Stock of ModusLink Global Solutions, Inc. filed with the Secretary of State of the State of Delaware on December 15, 2017 is incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on December 19, 2017.](#)
- 3.8 [Certificate of Designation of Rights, Preferences and Privileges of Series D Junior Participating Preferred Stock filed with the Secretary of State of the State of Delaware on January 19, 2018 is incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on January 19, 2018.](#)
- 3.9 [Certificate of Ownership and Merger filed with the Secretary of State of the State of Delaware on February 20, 2018 is incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 26, 2018.](#)
- 3.10 [Amendment to Restated Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on April 12, 2018 is incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 16, 2018.](#)
- 3.11 [Certificate of Designations, Preferences and Rights of the Series E Convertible Preferred Stock of Steel Connect, Inc. is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with on May 1, 2023.](#)
- 3.12 [Certificate of Elimination of the Series A Junior Participating Preferred Stock of Steel Connect, Inc. is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 2, 2023.](#)
- 3.13 [Certificate of Amendment to the Restated Certificate of Incorporation of Steel Connect, Inc., filed with the Secretary of State of the State of Delaware on June 21, 2023 is incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on June 22, 2023.](#)
- 3.14 [Certificate of Amendment to the Restated Certificate of Incorporation of Steel Connect, Inc., filed with the Secretary of State of the State of Delaware on June 21, 2023 is incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 22, 2023.](#)
- 4.1 [Specimen stock certificate representing the Registrant's Common Stock is incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on January 22, 2015.](#)
- 4.2\*\* [Description of Registrant's Securities.](#)
- 4.3 [Tax Benefits Preservation Plan, dated as of January 19, 2018, by and between ModusLink Global Solutions, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent is incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on January 19, 2018.](#)

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- 4.4 [Amendment to Tax Benefits Preservation Plan, dated as of January 8, 2021, by and between Company and American Stock Transfer & Trust Company, LLC, as Rights Agent is incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on January 8, 2021.](#)
- 4.5 [Form of 7.50% Convertible Senior Note due 2024 issued by Steel Connect, Inc. to SPH Group Holdings LLC. is incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 28, 2019.](#)
- 4.6 [Amendment No. 1 to Convertible Note dated March 9, 2023 is incorporated herein by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2023.](#)
- 10.1\* [Amended and Restated 1995 Employee Stock Purchase Plan, as amended by Amendment No. 1 and Amendment No. 2 thereto is incorporated herein by reference to Appendix II to the Registrant's Definitive Schedule 14A filed on November 16, 2001.](#)
- 10.2\* [Amendment No. 3 to Amended and Restated 1995 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2006.](#)
- 10.3\* [Amendment No. 4 to Amended and Restated 1995 Employee Stock Purchase Plan is incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2008.](#)
- 10.4\* [Amendment No. 5 to Amended and Restated 1995 Employee Stock Purchase Plan is incorporated herein by reference to Appendix I to the Registrant's Definitive Schedule 14A filed on October 23, 2009.](#)
- 10.5++ [Management Services Agreement, dated as of June 1, 2019, between Steel Services Ltd. and Steel Connect, Inc. is incorporated herein by reference to Exhibit 10.51 to the Registrant's Annual Report on Form 10-K filed on October 15, 2019.](#)
- 10.6 [Amendment No. 1 to Management Services Agreement, dated as of October 27, 2022, between Steel Services Ltd. and Steel Connect, Inc. is incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed on November 9, 2022.](#)
- 10.7 [Amendment No. 2 to Management Services Agreement, dated as of October 25, 2023, between Steel Services Ltd. and Steel Connect, Inc. is incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed on November 8, 2023.](#)
- 10.8 [Management Services Agreement, dated as of October 25, 2023, between Steel Services Ltd. and ModusLink Corporation is incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K filed on November 8, 2023.](#)
- 10.9\* [Steel Connect, Inc. 2020 Stock Incentive Compensation Plan is incorporated herein by reference to Appendix II of the Registrant's Definitive Proxy Statement on Schedule 14A, filed on June 29, 2020.](#)
- 10.10\* [Form of Restricted Stock Award Agreement under the Steel Connect, Inc. 2020 Stock Incentive Compensation Plan is incorporated herein by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K filed on October 29, 2021.](#)
- 10.11\* [Form of Indemnification Agreement by and between the Company and its directors and officers is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended October 31, 2021.](#)
- 10.12† [Credit Agreement, dated as of March 16, 2022, between ModusLink Corporation, as borrower, and Umpqua Bank, as Lender is incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2022.](#)
- 10.13 [First Amendment to Credit Agreement dated March 13, 2023 is incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2023.](#)
- 10.14 [Transfer and Exchange Agreement, dated as of April 30, 2023, by and among Steel Partners Holdings L.P., Steel Excel, Inc., WebFinancial Holding Corporation and Steel Connect, Inc. is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 1, 2023.](#)
- 10.15 [Stockholders' Agreement, dated as of April 30, 2023, by and among Steel Connect, Inc., Steel Partners Holdings L.P., and the other stockholders signatory therein is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 1, 2023.](#)
- 10.16 [Voting Agreement, dated as of April 30, 2023, by and among Steel Connect, Inc., Steel Partners Holding L.P., WebFinancial Holding Corporation, WHX CS, LLC, WF Asset Corp., Steel Partners, Ltd., Warren G. Lichtenstein, and Jack L. Howard is incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 1, 2023.](#)

## Table of Contents

10.17*	<a href="#"><u>ModusLink Corporation Long Term Incentive Plan is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 1, 2023.</u></a>
10.18*	<a href="#"><u>Form of Award Agreement Under the ModusLink Corporation Long Term Incentive Plan is incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on August 1, 2023.</u></a>
10.19	<a href="#"><u>Second Amendment to Credit Agreement, dated as of May 1, 2024, by and between ModusLink Corporation, as borrower, and Umpqua Bank, as lender and agent is incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 3, 2024.</u></a>
10.20*	<a href="#"><u>Restricted Limited Partnership Unit Agreement for Fawaz Khalil is incorporated by reference to Exhibit 10.24 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2024.</u></a>
19.1†**	<a href="#"><u>Insider Trading Policy.</u></a>
21**	<a href="#"><u>Subsidiaries of the Registrant.</u></a>
23.1**	<a href="#"><u>Consent of Deloitte &amp; Touche LLP.</u></a>
23.2**	<a href="#"><u>Consent of BDO USA, P.C.</u></a>
24.1**	<a href="#"><u>Power of Attorney (included on the signature page of this Annual Report on Form 10-K).</u></a>
31.1**	<a href="#"><u>Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2**	<a href="#"><u>Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1‡	<a href="#"><u>Certification of the Principal Executive Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
32.2‡	<a href="#"><u>Certification of the Principal Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
97.1**	<a href="#"><u>Steel Connect Inc. Policy for the Recovery of Erroneously Awarded Compensation.</u></a>
101**	Interactive Data Files Pursuant to Rule 405 of Regulation S-T formatted in Inline XBRL: (i) Audited Consolidated Balance Sheet as of July 31, 2024, (ii) Audited Consolidated Statement of Operations for the fiscal year ended July 31, 2024, (iii) Audited Consolidated Statement of Comprehensive Income for the fiscal year ended July 31, 2024, (iv) Audited Consolidated Statement of Stockholders' Equity for the fiscal year ended July 31, 2024, (v) Audited Consolidated Statement of Cash Flows for the fiscal year ended July 31, 2024 and (vi) Notes to Audited Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

\* Management contract or compensatory plan or arrangement.

\*\* Filed herewith.

‡ Furnished herewith.

++ Portions of this exhibit (indicated by asterisks) have been omitted pursuant to Regulation S-K. Item 601(b)(10). Such omitted information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

† The schedules to this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

**ITEM 16.— FORM 10-K SUMMARY**

None.



**Description of the Registrant's Securities  
Registered Pursuant to Section 12 of the  
Securities Exchange Act of 1934**

The following description of the common stock (the "Common Stock") of Steel Connect, Inc. (the "Company") is only a summary of the material terms and provisions of the Common Stock and does not purport to be complete.

This summary is subject to and qualified in its entirety by reference to the Company's Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation") and the Fourth Amended and Restated Bylaws of the Company (the "Bylaws"), each of which are included as an exhibit to the Annual Report on Form 10-K to which this description is also an exhibit.

Our Certificate of Incorporation provides that we may issue up to 1,400,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, both having par value \$0.01 per share. As of October 23, 2024, 6,335,641 shares of Common Stock were issued and outstanding and 3,535,000 shares of preferred stock were issued and outstanding.

Each holder of our Common Stock is entitled to:

- one vote per share on all matters submitted to a vote of the stockholders, subject to the rights of any preferred stock that may be outstanding;
- dividends as may be declared by our board of directors (the "Board") out of funds legally available for that purpose, subject to the rights of any preferred stock that may be outstanding; and
- a pro rata share in any distribution of our assets after payment or providing for the payment of liabilities and the liquidation preference of any outstanding preferred stock in the event of liquidation.

The Certificate of Incorporation and Bylaws require the affirmative vote of at least 75% of the outstanding shares or capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, to amend certain provisions of the Certificate of Incorporation and the Bylaws and to approve certain business combinations.

The Board has seven members (each a "Director") and is currently divided into three classes. A class of Directors is elected each year for a three-year term. Holders of our Common

Stock have no cumulative voting rights, redemption rights or preemptive rights to purchase or subscribe for any shares of our Common Stock or other securities. All of the outstanding shares of Common Stock are fully paid and nonassessable. The rights, preferences and privileges of holders of our Common Stock are subject to, and may be adversely affected by, the rights of the holders of shares of any existing series of preferred stock and any series of preferred stock that we may designate and issue in the future. There are no redemption or sinking fund provisions applicable to our Common Stock.

The transfer agent for our Common Stock is Equiniti Trust Company, LLC.

#### **Protective Amendment**

On April 12, 2018, the Company filed a Certificate of Amendment of the Certificate of Incorporation with the Secretary of State of the State of Delaware that includes a protective amendment designed to protect the tax benefits of the Company's net operating loss carryforwards (the "Protective Amendment"). The Protective Amendment was approved by the Company's stockholders on April 12, 2018.

The Protective Amendment amended Article Seventh of the Certificate of Incorporation to include restrictions on certain transfers of the Common Stock in order to protect the long-term value to the Company of its accumulated net operating losses and other tax benefits. The Protective Amendment's transfer restrictions generally restrict any direct or indirect transfer of the Common Stock that (i) increases the direct, indirect or constructive ownership of the Common Stock by any Person (as defined in the Protective Amendment) from less than 4.99% to 4.99% or more of Common Stock or that increases the percentage of the shares of Common Stock owned directly, indirectly or constructively by a Person owning or deemed to own 4.99% or more of the Common Stock then outstanding. Pursuant to the Protective Amendment, any direct or indirect transfer attempted in violation of the Protective Amendment would be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of the shares would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) would not be recognized as the owner of the shares owned in violation of the Protective Amendment (the "excess stock") for any purpose, including for purposes of voting and receiving dividends or other distributions in respect of such shares, or in the case of options, receiving shares in respect of their exercise. In addition to a prohibited transfer being void as of the date it is attempted, upon demand, the purported transferee must transfer the excess stock to an agent of the Company along with any dividends or other distributions paid with respect to such excess stock. The agent is required to sell such excess stock in an arm's-length transaction (or series of transactions) that would not constitute a violation under the Protective Amendment.

The above description of the Protective Amendment is a summary of the material terms of the Protective Amendment and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Protective Amendment.

**Delaware Law**

Delaware law requires the affirmative vote of a majority of the outstanding shares entitled to vote thereon to authorize certain extraordinary actions, such as mergers, consolidations, dissolutions of the corporation or an amendment to the certificate of incorporation of the corporation.

# INSIDER TRADING POLICY

Steel Connect, Inc.

Revised as of December 13, 2023

## THE NEED FOR A POLICY

This policy was created to promote compliance with applicable securities laws by (i) all directors, officers and employees of Steel Connect, Inc. and its wholly-owned subsidiaries listed on Schedule A attached hereto (the "Company") and (ii) any person or any officers, directors or employees of any entity designated by the General Counsel and/or Deputy General Counsel (as defined herein) which assists the Company or its subsidiaries in providing management or accounting duties to third parties who are involved in providing such services (collectively, "Covered Persons"). We are also adopting this policy to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company and its subsidiaries, which would damage our reputation for integrity and ethical conduct. Among other things, this policy prohibits insider trading by Covered Persons with respect to the securities of the Company, any company on which the Company has a representative on the board of directors and any customer or vendor of the Company, any acquisition target of the Company, or any other company designated by the General Counsel and/or Deputy General Counsel, as listed on the attached Covered Securities list, which list will be updated as necessary by the General Counsel and/or Deputy General Counsel, as well as any other company, where, in all cases, inside information was obtained as a result of the Covered Person's employment or relationship to the Company ("Covered Securities"). For purposes of this policy, the General Counsel and/or Deputy General Counsel shall be the person designated from time to time by the Board of Directors of the Company to serve in such capacity.

## WHAT IS "INSIDER TRADING"?

Insider trading is, in addition to being a violation of the Company's Policy on Insider Trading, a violation of securities laws. The penalties for insider trading are discussed below.

The term "insider trading" generally refers to (1) trading in securities while in possession or aware of material non-public information, or (2) communications of material non-public information to others who may trade while in possession or aware of such information.

This means insiders are prohibited from doing the following:

- trading in securities while in possession or aware of material non-public information concerning such securities or material non-public information that could affect the price of that company's securities (even if the Company does not do business with such company);
- having others trade on the insider's behalf while the insider is in possession or aware of material non-public information; and

- communicating non-public information concerning securities to others who may then trade in such securities or pass on the information to others who may trade in such

securities. This conduct is known as “tipping.” The elements of insider trading

are discussed below:

### **1. Who is an Insider?**

The concept of “insider” is broad and generally includes any person who possesses non-public information about the Covered Securities and who has a duty to the Company to keep this information confidential. In the case of the Company, “insiders” include officers and directors of the Company, as well as other persons who routinely have access to material information that is not publicly available or who are working on significant corporate transactions or projects. In addition, a person can be a “temporary insider” if he or she enters into a relationship to serve the Company and as a result is given access to information in connection with such service. Outsiders who can become temporary insiders include, among others, attorneys, accountants, consultants, investment bankers and the employees of organizations providing such services to the Company. Insiders are collectively referred to herein as “Covered Persons”.

### **2. What is Material Information?**

“Material information” generally is defined as information for which there is a substantial likelihood that a reasonable investor would consider such information important in making his or her investment decisions, or information that is reasonably likely to affect the price of the Covered Securities. It is important to remember that materiality will always be judged with the benefit of hindsight.

“Inside” information could be material because of its expected effect on the price of the Covered Securities, the securities of another company, or the securities of several companies. Moreover, the resulting prohibition against the misuse of material non-public information includes not only restrictions on trading in the Covered Securities, but restrictions on trading in the securities of other companies affected by the material non-public information.

Examples. Common examples of information that may be regarded as material are:

- Earnings or sales results;
- Guidance on earnings estimates and changing or confirming such guidance on a later date;
- Changes in dividend/distribution policies or the declaration of a stock split or the offering of additional securities;
- Proposals, agreements or news regarding a pending or proposed merger, acquisition, tender offer, joint venture, divestiture, leveraged buy-out, significant sale of assets or the disposition of a subsidiary;
- Changes in relationships with major customers, or obtaining or losing customers;
- Major financing developments;
- Changes in management or other major personnel changes;
- Criminal indictments or material civil litigation or government investigations;
- Significant disputes with major suppliers, vendors or customers;
- Labor disputes including strikes or lockouts;
- Substantial changes in accounting methods;

- Debt service or liquidity problems;
- Impending bankruptcy or insolvency;

- Public offerings or private sales of debt or equity securities; and
- A significant cybersecurity incident, such as a data breach, or any other significant disruption in the Company's operations, loss or potential loss, breach or unauthorized access of its property or assets, whether at the Company's facilities or through the Company's information technology infrastructure.

Either positive or negative information may be material.

### **3. What is Non-Public Information?**

In order for information to qualify as "inside" information it must not only be "material," it must be "non-public." "Non-public" information is information which has not been made available to investors generally. At such time as material, non-public information has been released to the investing public, it loses its status as "inside" information.

However, for "non-public" information to become public information it must be disseminated through recognized channels of distribution designed to reach the securities marketplace, which are limited to disclosure by filing a report with the Securities and Exchange Commission ("SEC") or disclosure by release to a national business and financial wire service (such as Dow Jones or Reuters) or a national newspaper (such as The Wall Street Journal). Further, sufficient time must pass for the information to become available in the market. See "Policy Statement: Prohibition of Insider Trading—When Information is Public" below. Additionally, the information disseminated must be some form of "official" disclosure or announcement. In other words, the fact that rumors, speculation, or statements attributed to unidentified sources are public is insufficient to be considered widely disseminated even when the information is accurate.

Partial disclosure does not constitute public dissemination. So long as any material component of the "inside" information has yet to be publicly disclosed, the information is deemed "non-public" and may not be misused.

### **4. What is Trading?**

Trading means broadly any purchase, sale or other transaction to acquire, transfer or dispose of securities, including gifts or other contributions, exercises of stock options granted under the Company's stock plans, sales of stock acquired upon the exercise of options and trades made under an employee benefit plan, such as a 401(k) plan. For information on specific exceptions to this, see "Policy Statement: Exceptions to the Prohibition on Trading."

## **THE CONSEQUENCES**

The consequences of insider trading violations can be staggering:

**For individuals** who trade on inside information (or tip such information to others):

- A civil penalty of up to three times the profit gained or loss avoided;

- A criminal fine (no matter how small the profit) of up to \$5 million;
- A jail term of up to 20 years; and

- A court injunction or a cease and desist order to stop the violation and penalties for violations of such orders or the federal securities laws.

**For the Company** (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading by an employee or tipping of inside information by an employee:

- A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee's violation; and
- A criminal penalty of up to \$25 million.

Moreover, if a person violates this policy or fails to comply with this policy or the Company's procedures, the Company imposed sanctions, including dismissal, could result. Needless to say, any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career. Further, the recently-passed Dodd-Frank Wall Street Reform and Consumer Protection Act includes a mandatory "bounty" of 10 to 30 percent for anyone providing the SEC with information that leads to a successful enforcement action resulting in monetary sanctions of over \$1 million.

## **POLICY STATEMENT**

### ***Prohibition of Insider Trading***

If a Covered Person has material non-public information relating to any Covered Securities, it is our policy that neither that person nor any related person may trade such securities or engage in any other action to take advantage of, or pass on to others, that information.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are not exempted from the insider trading laws or from our policy. The fact that the Covered Person may have relied on other factors in purchasing or selling securities, while in possession or aware of material non-public information, will not absolve the person from liability under the law.

When Information is Public. As you can appreciate, it is also improper for a Covered Person to enter a trade immediately after a public announcement of material information, including earnings releases, has been made regarding a Covered Security. Because the Company's non-employee stockholders and the investing public should be afforded the time to receive the information and act upon it, as a general rule you should not engage in any trades until the close of the market on the **second business day** after the information has been released. If an announcement is made before the market opens on a business day, the day of the announcement will be the first business day for purposes of this policy. Thus, if an announcement is made on a Monday after market close, Thursday generally would be the first day on which you could trade in the Covered Security. If an announcement is made on a Friday after market close, Wednesday generally would be the first day on which you could trade. If an announcement is made on a Monday before the market opens, Wednesday would be the first day on which you could trade.

Twenty-Twenty Hindsight. If your securities trades become the subject of scrutiny, they will be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any trade, you should carefully consider how regulators and others might view your trade in hindsight.

Applicability to Other Companies. During the course of his or her employment or engagement, a person may obtain material non-public information about current or potential customers, suppliers, business partners or others doing business with the Company or in which the Company has an investment or an interest. The provisions on confidentiality and the prohibition on trading while in possession or aware of non-public information also apply to the securities of these other companies. Thus, the term "Covered Securities" as used in this policy can also mean the securities of those other companies. See definition of "Covered Securities" above.

Trades by Family Members and Controlled Entities. The very same restrictions apply to your family members and others living in your household as well as any trusts, corporations or other entities controlled by you. Covered Persons are expected to be responsible for the compliance of their immediate family, personal household and controlled entities.

Prevention of Insider Trading by Others. The Company, its directors and officers and some supervisory personnel could be deemed "controlling persons" subject to potential liability under the securities laws. Accordingly, it is incumbent on these persons to maintain an awareness of possible insider trading violations by persons under their control and to take measures where appropriate to prevent such violations. Directors, officers and other supervisory personnel who become aware of a potential insider trading violation or a violation of this policy should immediately advise the General Counsel and/or Deputy General Counsel or the Chair of the Audit Committee of the Board of Directors of the Company and should take steps where appropriate to prevent persons under their supervision from using inside information for trading purposes. Additionally, any employee who violates this policy or any federal or state laws governing insider trading or tipping, or knows of or suspects any such violation by any other director, officer or employee must report the violation immediately to the General Counsel and/or Deputy General Counsel or the Chairman of the Audit Committee.

### **Confidentiality**

Serious problems could arise for the Company and you by an unauthorized disclosure of internal information about the Company, whether or not for the purpose of facilitating improper trading in the Covered Securities. Generally, securities regulations provide that when a company (such as the Company) discloses material, non-public information, it must provide broad, non-exclusionary public access to the information. Violations of these regulations can result in SEC enforcement actions, resulting in injunctions and severe monetary penalties. It is our policy that all Covered Persons must maintain all non-public information about the Company in strict confidence, and should not communicate such information to any person.

Proprietary information includes non-public information, analyses and plans that are created or obtained by the Company for its business purposes, other than that which constitutes confidential information entrusted to the Company or its personnel by an external source. In order to safeguard proprietary and non-public information, Covered Persons should: (i) use proprietary or non-public information only for the specific business purposes for which the information was given, created or obtained; (ii) avoid discussions of proprietary or non-public information in the presence of others who do not have a need to know such information (including other Covered Persons), and exercise extreme caution when discussing proprietary or non-public information in hallways, elevators, trains, subways, airplanes, restaurants, social gatherings or other public places; (iii) keep limited partners'

identities confidential; (iv) keep proprietary and non-public information in a secure manner; (v) exercise care to avoid placing documents containing proprietary or non-public information in areas

where they may be read by unauthorized persons, and store such documents in secure locations when they are not in use; and (vi) avoid using speakerphones in circumstances where proprietary or non-public information may be overheard, and be aware that mobile telephones must be used with great care because their transmissions may be picked up by others.

The prohibition regarding the unauthorized disclosure of internal information about the Company applies to inquiries about the Company which may be made by the financial press, investment analysts or others in the financial community. It is important that all such communications on behalf of the Company be made only through authorized individuals. If you receive any inquiries of this nature, you should decline comment and refer the inquiry directly to the General Counsel and/or Deputy General Counsel, the person responsible for our investor relations.

Tippling Information to Others. Covered Persons must not pass confidential or non-public information on to others. Tippling results in liability for the insider who communicated the information, even if such insider does not actually trade himself or herself, and for the person who received the information if the person has reason to know that it was an improper disclosure and acts on such information or passes it on to others who may act on it.

Tippling and the Internet. The prohibition against tippling applies to all forms of communication, including those conducted via the internet. Information communicated via e-mail, internal and external, is sometimes confidential and material in nature and thus subject to insider trading rules. You are cautioned that various chat rooms and message boards dedicated to the stock market are largely unsecured and unregulated and should not be used to communicate any information regarding the Company or the Covered Securities, whether confidential or not. Further, it is the policy of the Company that no Covered Person shall initiate or respond to messages posted in internet forums that pertain to the Company or companies that we have or may have an investment in and do or may do business with and about which you may learn something in the course of your employment or engagement. Such forums often contain rumors and misinformation that you may, as a loyal employee, feel compelled to correct. However, doing so (even with innocent intentions) could be considered tippling and therefore in violation of insider trading rules. Should you come across information posted online that you believe to be false or potentially damaging to the Company, please do not respond directly; instead, please contact the General Counsel and/or Deputy General Counsel.

### ***Exceptions to the Prohibitions on Trading***

The only exceptions to the prohibitions of trading in the Company's policy with respect to Covered Securities as outlined above are the following:

Bona Fide Gifts. Bona fide gifts of Covered Securities are not deemed to be transactions for the purposes of this policy. Whether a gift is truly bona fide will depend on the circumstances surrounding a specific gift. The more unrelated the donee is to the donor, the more likely the gift would be considered "bona fide" and not a "transaction." For example, gifts to charities, churches or non-profit organizations would not be deemed to be "transactions." However, gifts to dependent children followed by a sale of the "gifted securities" in close proximity to the time of the gift may imply some economic benefit to the donor and, therefore, may be deemed to be a "transaction" and not a "bona fide gift."

Stock Option Exercises. The Company's policy does not apply to the exercise of an employee stock option as long as the exercise is just a purchase of stock with no associated sale (even if the sale is part

of a “cashless exercise” where the employee pays the exercise price in shares of the Company's stock). The policy does apply, however, to any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price or the related taxes of an option.

Restricted Stock Units. This policy does not apply to the vesting of restricted stock units (RSUs), or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy minimum tax withholding requirements upon the vesting of any RSUs.

## **PROCEDURES**

### ***Pre-Clearance of All Trades***

To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper trade (which could result, for example, where an officer engages in a trade while unaware of a pending major development), Covered Persons, prior to any trades in Covered Securities, are required to consult and submit the request for approval to trade securities on Annex A attached hereto with the General Counsel and/or Deputy General Counsel to confirm that you are not in possession or aware of specific material non-public information. Covered Persons are responsible for ensuring that they are in possession of the current list of Covered Securities, which list will be updated as necessary by the General Counsel and/or Deputy General Counsel. Approval will generally be limited to the trading windows governing the applicable Covered Securities at times when the Covered Person is not in possession of material non-public information. A Covered Person may not trade, even after consultation, if he or she is actually in possession or aware of material non-public information. If you contemplate a trade in Covered Securities, you should contact the General Counsel and/or Deputy General Counsel in advance. Pre-trade advice generally is valid for two trading days, unless you come into contact with material non-public information during that time. In the event an approved transaction is not consummated within two calendar days from the date of approval or such other time period agreed to by the General Counsel and/or Deputy General Counsel, it must be re-approved before it may be consummated at a later date. The General Counsel and/or Deputy General Counsel may take into account various factors in determining whether to grant a request for pre-clearance, including whether the Company is engaged in a stock repurchase plan. Additionally, (i) in the four business days before and after any public announcement of a Company stock repurchase program, no trading by directors and Section 16 officers will be permitted in the class of equity securities that is the subject of the stock repurchase program; and (ii) any sales by Covered Persons may not be coordinated with (or hedged against) any share purchases by the Company without General Counsel and/or Deputy General Counsel approval.

### ***No Trading During “Closed Window” Periods***

In order to further minimize the possibility of an inadvertent and unintended insider trading violation, all Covered Persons are prohibited from trading in the Company's securities during the following restricted trading period (a “closed window”): the period beginning two days before the end of each fiscal quarter through and ending after the close of the market on the second business day following the issuance of the Company's press release of its quarterly or annual financial results or filing of applicable Form 10-Q or Form 10-K if such a press release is not issued. Please realize that the “open window” periods are of general applicability only and do not serve to permit

otherwise illegal trades. Trading in the Company securities is permitted only during the “open windows,” and all trades by Covered Persons must be approved in advance by the General Counsel and/or Deputy

General Counsel. Other events or developments during such periods may still cause some Covered Persons to be in possession or aware of material, non-public information – in such event, you still may not trade. A Covered Person may not trade even during the “open window” periods or with authorization if he or she is actually in possession or aware of material non-public information. Also, trading during the “open window” periods is not a substitute for compliance with required pre-clearance procedures.

### ***Restricted Trading Periods***

There may be material non-public information available to Covered Persons even during the normal open window periods, for example, when a proposed acquisition is pending. In those and other instances, such as where required by securities regulation, the Company will announce a “closed window” or “blackout period” for trading in the Company’s securities and if appropriate, in securities of another company. Any Covered Person subject to any such restricted trading period shall keep such restricted period strictly confidential and should not communicate the existence of such restricted period to any person.

### ***Standing Orders***

Standing orders (except standing orders under approved Rule 10b5-1 plans, see below) should be used only for a very brief period of time. The problem with purchases or sales resulting from standing instructions to a broker is that there is no control over the timing of the trade. The broker could execute a trade when you are in possession or aware of material non-public information and you could still have significant liabilities as a result.

### ***10b5-1 Plans***

Rule 10b5-1 provides a defense from insider trading under SEC Rule 10b-5. To be eligible for this defense, Covered Persons may enter into a “10b5-1 plan” for trading in Covered Securities. If the plan meets the requirements of Rule 10b5-1, Covered Securities may be purchased or sold without regard to certain insider trading restrictions. Once a Rule 10b5-1 trading plan is established, the Covered Persons retain no discretion over trades under the plan, and the pre-planned trades can be executed through a broker (over whom the insider exercises no influence) at later dates without regard to the subsequent acquisition of material non-public information.

To comply with the Company’s insider trading policy, Covered Persons (i) may only enter into a Rule 10b5-1 trading plan during a trading window; (ii) cannot enter into a Rule 10b5-1 trading plan while in possession of any material non-public information; and (iii) may not influence any trading decisions under the Rule 10b5-1 trading plan.

To ensure the proposed plan meets the requirements of Rule 10b5-1 and other legal requirements, you are encouraged to consult with the General Counsel and/or Deputy General Counsel before establishing such a plan and such plan must be approved by the General Counsel and/or Deputy General Counsel prior to the entry into such plan. Covered Persons must provide the General Counsel and/or Deputy General Counsel with a draft of the Rule 10b5-1 trading plan he or she intends to utilize.

The General Counsel and/or Deputy General Counsel is responsible for implementing and monitoring the Company's policies and procedures regarding Rule 10b5-1 trading plans, including updating these policies and procedures as may be necessary or advisable from time to time and

ensuring that its policies and procedures are consistently operating to prohibit Covered Persons from exerting or having discretion over the execution of any trades made pursuant to any discretionary Rule 10b5-1 trading plans.

### ***Additional Prohibited Transactions***

Because we believe it is improper and inappropriate for any Covered Persons to engage in short-term or speculative transactions involving Covered Securities, it is the Company's policy that Covered Persons should not engage in any of the following activities with respect to Covered Securities:

No Short Sales. No Covered Person shall engage in selling Covered Securities "short" – that is, the sale of securities that are not owned by the Covered Person, other than in the exercise of their duties with respect to the Company. (A person who sells "short" is betting that the price of the security is going down – he borrows the security, sells it, and expects to be able to return the securities by repurchasing them at a lower price in the future.) SEC rules already prevent officers and directors from making "short sales" or sales of securities that, if owned, will not be delivered for a period longer than 20 days after the sale. Again, we are simply expanding this rule to all Covered Persons.

No Short Term Trading. No Covered Person shall engage in selling Covered Securities that were held for less than six months. The SEC's short swing profit rules already penalize officers and directors who sell the Company's securities within six months of a purchase by requiring such person to disgorge all profits to the Company whether or not the person had knowledge of any material non-public information.

No Hedging or Pledging. Hedging transactions involve the purchase of financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds), or any other transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of registrant equity securities. Such transactions may permit a Covered Person to continue to own the Company's securities but without the full risks and rewards of ownership. When that occurs, the Covered Person may no longer have the same objectives as the Company's other unitholders. A Covered Person may engage in hedging or monetization transactions or similar arrangements with respect to the Company's securities with General Counsel and/or Deputy General Counsel approval. The Company may determine to grant an approval if the Covered Person submits a request at least two weeks prior to the execution of the documents evidencing the proposed transaction, along with an explanation of why the Company should allow the transaction pledge. The General Counsel and/or Deputy General Counsel is under no obligation to approve any request for pre-clearance and may determine not to permit the arrangement for any reason. Notwithstanding the pre-clearance of any request, the Company assumes no liability for the consequences of any transaction made pursuant to such request.

In addition, no Covered Person, whether or not in possession of material non-public information, may purchase the Company's securities on margin, or borrow against any account in which the Company's securities are held, or pledge the Company's securities as collateral for a loan. *However*, the Company may determine to grant exceptions to this prohibition if a Covered Person submits a request to pledge the Company's securities as collateral for a loan (not including margin debt) and

(1) clearly demonstrates the financial capacity to repay the loan without resorting to the pledged securities and (2) specifies the percentage amount that the securities being pledged represent of the total number of securities of the Company held by the person making the request, as well as any other information requested by the Company. Requests for an exception must be submitted to the

General Counsel and/or Deputy General Counsel at least two weeks prior to the execution of the documents evidencing the proposed pledge. The General Counsel and/or Deputy General Counsel is under no obligation to approve any request for pre-clearance and may determine not to permit the arrangement for any reason. Notwithstanding the pre-clearance of any request, the Company assumes no liability for the consequences of any transaction made pursuant to such request.

No Buying or Selling "Derivative Securities." No Covered Person shall buy or sell puts (i.e., options to sell), calls (i.e., options to purchase), future contracts, or other forms of derivative securities relating to Covered Securities, other than in the exercise of their duties with respect to the Company. For these purposes, a security will be considered a derivative of another security if its value is derived from the value of the other security.

### ***Form 144 Reports***

Directors and certain officers designated by the Board of Directors are required to file a Form 144 before making an open market sale of the Company's securities. Form 144 notifies the SEC of your intent to sell the Company's securities. Although often prepared and filed by your broker, this form and its timely filing is each individual's personal responsibility and is in addition to the Section 16 reports that may be required to be filed.

### ***Post-Transaction Notification***

Because Section 16(a) of the Exchange Act requires that certain transactions be reported on Form 4s filed within two business days following the date of the transaction, the Company's policy requires immediate notification of sufficient details of any transaction to allow time to prepare and file the required reports within the two-business-day deadline. Since the Company requires a day to prepare the Form 4 and a day to transmit the form to the SEC, all officers and directors must report the details of any transaction in the Company's securities to us at least by the close of business of the date the transaction occurred. This includes all purchases, sales, and transfers by gift or otherwise, trades pursuant to approved 10b5-1 plans, and option exercises.

### ***Use of Knowledgeable Stockbroker***

Each Covered Person is encouraged to select one stockbroker to effect all of his or her transactions in the Covered Securities, and that broker should become familiar with the Company's insider trading policy and the restrictions that apply to his or her transactions in the Covered Securities. Remember, however, that a broker has no legal responsibility for a client's Section 16 filings or short-swing profit rule violations. Therefore, the best protection will come from your own awareness the possible pitfalls. However, use of the same broker familiar with this policy will help you constantly monitor your compliance, not only with this policy but also with your other securities laws obligations, such as compliance with Rule 144.

### ***Restrictions on Use of Brokers***

Each Covered Person is restricted from transacting in the Covered Securities under a Rule 10b5-1 trading plan with any broker which is an affiliate of the Company, its subsidiaries or which is affiliated with a control person of the Company or its subsidiaries. In addition, each Covered Person

shall not effect any transactions in the Covered Securities under a Rule 10b5-1 trading plan with a broker with whom he or she is affiliated.

**EVEN IF YOU PRE-CLEAR A TRANSACTION AND EVEN IF IT IS DURING AN**

**OPEN WINDOW PERIOD, YOU, ANY COMPANY, TRUST OR ENTITY CONTROLLED BY YOU, YOUR SPOUSE AND YOUR FAMILY MEMBERS AND OTHERS LIVING IN YOUR HOUSEHOLD MAY NOT TRADE IN THE COVERED SECURITIES IF YOU ARE IN POSSESSION OR AWARE OF MATERIAL, NON- PUBLIC INFORMATION ABOUT THE COVERED SECURITY. THE PROCEDURES SET FORTH HEREIN ARE IN ADDITION TO THE GENERAL INSIDER TRADING POLICY AND ARE NOT A SUBSTITUTE THEREFOR.**

#### **ADMINISTRATION OF POLICY**

Any person who has any questions about specific transactions may obtain additional guidance from our General Counsel and/or Deputy General Counsel. The Company reserves the right to amend and interpret the policy from time to time.

#### **CERTIFICATION OF COMPLIANCE**

All Covered Persons will be required to certify their understanding of and compliance with this policy on an annual basis.

**Remember, however, the ultimate responsibility for adhering to the policy and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.**

RECEIPT AND ACKNOWLEDGMENT

I,\_\_, hereby acknowledge that I have received and read a copy of the Steel Connect, Inc. Insider Trading Policy and agree to comply with its terms. I understand that violation of insider trading or tipping laws or regulations may subject me to severe civil and/or criminal penalties, and that violation of the terms of the above-titled policy may subject me to discipline by the Company or my employer up to and including termination for cause.

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Signature    Date

**SUBSIDIARIES OF STEEL CONNECT, INC.**

<b>Name</b>	<b>Jurisdiction of Organization</b>
CMG Securities Corporation	Massachusetts
CMG@Ventures, Inc.	Delaware
CMG@Ventures Capital Corp.	Delaware
CMG@Ventures Securities Corp.	Delaware
ModusLink PTS, Inc.	Delaware
ModusLink Recovery LLC	Delaware
ModusLink Securities Corporation	Delaware
Steel Connect Sub LLC	Delaware
ModusLink Thailand LLC	Delaware
ModusLink Corporation	Delaware
ModusLink (Thailand) Company Limited	Thailand
SalesLink LLC	Delaware
ModusLink Services Pte. Ltd.	Singapore
ModusLink Mexico S.A. de C.V.	Mexico
Sol Holdings, Inc.	Delaware
Sol Services Corporation, S.A. de C.V.	Mexico
SalesLink Mexico Holding Corp.	Delaware
Saleslink Servicios, S. De R.L. de C.V	Mexico
ModusLink B.V.	Netherlands
ModusLink Czech Republic s.r.o.	Czech Republic
Modus Media International Documentation Services (Ireland) Limited	Delaware
Modus Media International Leinster Unlimited	British Virgin Islands
Modus Media International (Ireland) Limited	Delaware
Modus Media International Ireland (Holdings) Limited	Ireland
ModusLink Kildare Limited	Ireland
ModusLink Services Europe Unlimited Company	Ireland
SalesLink Solutions International Ireland Limited	Ireland
ModusLink Company Limited	New Zealand
ModusLink Australia Pty Limited	Australia
ModusLink Japan KK	Japan
ModusLink Pte. Ltd.	Singapore
ModusLink Computer Software (Shenzhen) Co. Ltd.	China
ModusLink (Pudong) Co., Ltd.	China
ModusLink Electronic Technology (Shenzhen) Co., Ltd.	China
ModusLink (Shanghai) Co. Ltd.	China
ModusLink Electronic Technology (Shenzhen) Co. Ltd.	China
ModusLink (Kunshan) Co. Ltd.	China
ModusLink (China) Co. Ltd.	China

Moduslink (Waigaoqiao) Co. Ltd.	China
ModusLink (Hong Kong) Pte. Ltd.	Hong Kong
ModusLink Software Technology (Chongqing) Co., Ltd.	China
ModusLink (M) Sdn. Bhd	Malaysia
Open Channel Solutions Pty Limited	Australia



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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-171285 on Form S-8 of our report dated November 6, 2024, relating to the financial statements of Steel Connect, Inc. appearing in this Annual report on Form 10-K for the year ended July 31, 2024.

/s/ DELOITTE & TOUCHE LLP

New York, NY

November 6, 2024

Consent of Independent Registered Public Accounting Firm

Steel Connect, Inc.  
New York, New York

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-171285) of Steel Connect, Inc. of our report dated November 8, 2023, relating to the consolidated financial statements, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.  
New York, NY

November 6, 2024









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**STEEL CONNECT, INC.**

**POLICY FOR THE  
RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

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A. OVERVIEW

In accordance with the applicable rules of The Nasdaq Stock Market (the "**Nasdaq Rules**"), Section 10D and Rule 10D-1 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") ("**Rule 10D-1**"), the Board of Directors (the "**Board**") of Steel Connect, Inc. (the "**Company**") has adopted this Policy (the "**Policy**") to provide for the recovery of erroneously awarded Incentive-based Compensation from Executive Officers. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in Section H, below.

B. RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

(1) In the event of an Accounting Restatement, the Company will reasonably promptly recover the Erroneously Awarded Compensation Received in accordance with Nasdaq Rules and Rule 10D-1 as follows:

- (i) After an Accounting Restatement, the Organization and Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board) (the "**Committee**") shall determine the amount of any Erroneously Awarded Compensation Received by each Executive Officer and shall promptly notify each Executive Officer with a written notice containing the amount of any Erroneously Awarded Compensation and a demand for repayment or return of such compensation, as applicable.
  - (a) For Incentive-based Compensation based on (or derived from) the Company's stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement:
    - i. The amount to be repaid or returned shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the Company's stock price or total shareholder return upon which the Incentive-based Compensation was Received; and
    - ii. The Company shall maintain documentation of the determination of such reasonable estimate and provide the relevant documentation as required to the Nasdaq.
- (ii) The Committee shall have discretion to determine the appropriate means of recovering Erroneously Awarded Compensation based on the particular facts and circumstances. Notwithstanding the foregoing, except as set forth in Section B(2) below, in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of an Executive Officer's obligations hereunder.
- (iii) To the extent that the Executive Officer has already reimbursed the Company for any Erroneously Awarded Compensation Received under any duplicative recovery obligations established by the Company or applicable law, it shall be appropriate for any

such reimbursed amount to be credited to the amount of Erroneously Awarded Compensation that is subject to recovery under this Policy.

- (iv) To the extent that an Executive Officer fails to repay all Erroneously Awarded Compensation to the Company when due, the Company shall take all actions reasonable and appropriate to recover such Erroneously Awarded Compensation from the applicable Executive Officer. The applicable Executive Officer shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(2) Notwithstanding anything herein to the contrary, the Company shall not be required to take the actions contemplated by Section B(1) above if the Committee (which, as specified above, is composed entirely of independent directors or in the absence of such a committee, a majority of the independent directors serving on the Board) determines that recovery would be impracticable *and* any of the following two conditions are met:

- (i) The Committee has determined that the direct expenses paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before making this determination, the Company must make a reasonable attempt to recover the Erroneously Awarded Compensation, documented such attempt(s) and provided such documentation to the Nasdaq; or
- (ii) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

#### C. DISCLOSURE REQUIREMENTS

The Company shall file all disclosures with respect to this Policy required by applicable U.S. Securities and Exchange Commission (" **SEC**") filings and rules.

#### D. PROHIBITION OF INDEMNIFICATION

The Company shall not be permitted to insure or indemnify any Executive Officer against (i) the loss of any Erroneously Awarded Compensation that is repaid, returned or recovered pursuant to the terms of this Policy, or (ii) any claims relating to the Company's enforcement of its rights under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-based Compensation that is granted, paid or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date of this Policy).

#### E. ADMINISTRATION AND INTERPRETATION

This Policy shall be administered by the Committee, and any determinations made by the Committee shall be final and binding on all affected individuals.

The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy and for the Company's

compliance with Nasdaq Rules, Section 10D, Rule 10D-1 and any other applicable law, regulation, rule or interpretation of the SEC or Nasdaq promulgated or issued in connection therewith.

#### F. AMENDMENT; TERMINATION

The Committee may amend this Policy from time to time in its discretion and shall amend this Policy as it deems necessary. Notwithstanding anything in this Section F to the contrary, no amendment or termination of this Policy shall be effective if such amendment or termination would (after taking into account any actions taken by the Company contemporaneously with such amendment or termination) cause the Company to violate any federal securities laws, SEC rule or Nasdaq rule.

#### G. OTHER RECOVERY RIGHTS

This Policy shall be binding and enforceable against all Executive Officers and, to the extent required by applicable law or guidance from the SEC or Nasdaq, their beneficiaries, heirs, executors, administrators or other legal representatives. The Committee intends that this Policy will be applied to the fullest extent required by applicable law. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with an Executive Officer shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Executive Officer to abide by the terms of this Policy. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law, regulation or rule or pursuant to the terms of any policy of the Company or any provision in any employment agreement, equity award agreement, compensatory plan, agreement or other arrangement.

#### H. DEFINITIONS

For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(1) **"Accounting Restatement"** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a "Big R" restatement), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a "little r" restatement).

(2) **"Clawback Eligible Incentive Compensation"** means all Incentive-based Compensation Received by an Executive Officer (i) on or after the effective date of the applicable Nasdaq rules, (ii) after beginning service as an Executive Officer, (iii) who served as an Executive Officer at any time during the applicable performance period relating to any Incentive-based Compensation (whether or not such Executive Officer is serving at the time the Erroneously Awarded Compensation is required to be repaid to the Company), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period (as defined below).

(3) **"Clawback Period"** means, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Date (as defined below), and if the Company changes its fiscal year, any transition period of less than nine months within or immediately following those three completed fiscal years.

(4) **"Erroneously Awarded Compensation"** means, with respect to each Executive Officer in connection with an Accounting Restatement, the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid.

(5) **"Executive Officer"** means each individual who is currently or was previously designated as an "officer" of the Company as defined in Rule 16a-1(f) under the Exchange Act. For the avoidance of doubt, the identification of an executive officer for purposes of this Policy shall include each executive officer who is or was identified pursuant to Item 401(b) of Regulation S-K, as well as the principal financial officer and principal accounting officer (or, if there is no principal accounting officer, the controller).

(6) **"Financial Reporting Measures"** means measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall, for purposes of this Policy, be considered Financial Reporting Measures. For the avoidance of doubt, a Financial Reporting Measure need not be presented in the Company's financial statements or included in a filing with the SEC.

(7) **"Incentive-based Compensation"** means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(8) **"Nasdaq"** means The Nasdaq Stock Market.

(9) **"Received"** means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-based Compensation shall be deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-based Compensation award is attained, even if the payment or grant of the Incentive-based Compensation to the Executive Officer occurs after the end of that period.

(10) **"Restatement Date"** means the earlier to occur of (i) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

Effective as of July 28, 2023.

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**Exhibit A**

**ATTESTATION AND ACKNOWLEDGEMENT OF POLICY FOR THE RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

By my signature below, I acknowledge and agree that:

- I have received and read the attached Policy for the Recovery of Erroneously Awarded Compensation (this “ **Policy**”).
- I hereby agree to abide by all of the terms of this Policy both during and after my employment with the Company, including, without limitation, by promptly repaying or returning any Erroneously Awarded Compensation to the Company as determined in accordance with this Policy.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_