ASPEN GROUP, INC.
Form S-1
October 01, 2012
As filed with the Securities and Exchange Commission on October 1, 2012
Registration No. 333-

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

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ASPEN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	8200	27-1933597
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

720 South Colorado Boulevard, Suite 1150N
Denver, CO 80246
(303) 333-4224
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael Mathews
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Denver, CO 80246
(303) 333-4224
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
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Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. ¨

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common stock, $0.001 par value per share	20,229,183	$ 2.60	$ 52,595,876	$ 7,174.08

(1) Under Rule 416 of the Securities Act of 1933, the shares being registered include such indeterminate number of shares of common stock as may be issuable with respect to the shares being registered in this registration statement as a result of any stock splits, stock dividends.

(2) The proposed maximum offering price per share and the proposed maximum aggregate offering price have been estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rules 457(c) under the Securities Act of 1933 on the basis of the average of the bid and asked price of our common stock on the Over-the-Counter Bulletin Board on October 1, 2012, a date within five trading days prior to the date of the filing of this registration statement.

The registrant hereby amends this registration statement on such date or date(s) as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission of which this prospectus is a part becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated October 1, 2012

ASPEN GROUP, INC.

PROSPECTUS

20,229,183 Shares of Common Stock

This prospectus relates to the sale of up to 20,229,183 shares of Aspen Group, Inc. common stock which may be offered by the selling shareholders identified in this prospectus.

We will not receive any proceeds from the sales of shares of our common stock by the selling shareholders named on page 62.

Our common stock trades on the Over-the-Counter Bulletin Board under the symbol “ASPU”. As of the last trading day before the date of this prospectus, the closing price of our common stock was $2.91 per share.

The common stock offered in this prospectus involves a high degree of risk. See “Risk Factors” beginning on page 9 of this prospectus to read about factors you should consider before buying shares of our common stock.

The selling shareholders are offering these shares of common stock. The selling shareholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling shareholders will receive all proceeds from the sale of the common stock. For additional information on the methods of sale, you should refer to the section entitled “Plan of Distribution.”

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is ________________, 2012

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You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. The selling shareholders are not offering to sell or seeking offers to buy shares of common stock in jurisdictions where offers and sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully including the section entitled "Risk Factors" before making an investment decision. In March 2012, Aspen Group, Inc., or the Public Company, and Aspen University Inc., a privately held Delaware corporation, or Aspen, entered into a merger agreement whereby Aspen became a wholly-owned subsidiary of the Public Company. We refer to the merger as the "Reverse Merger." All references to "we," "our" and "us" refer to the Public Company and its subsidiaries (including Aspen), unless the context otherwise indicates. In referring to academic matters, these words refer solely to Aspen University Inc.

Our Company

Aspen is an online postsecondary education company. Founded in 1987, Aspen's mission is to become an institution of choice for adult learners by offering cost-effective, comprehensive, and relevant online education. We are dedicated to helping our students exceed their personal and professional objectives in a socially conscious and economically sensible way. Aspen's mission in fact is to help students achieve their long-term goals of upward mobility and long-term economic success through providing superior education, exerting financial prudence, and supporting our students' career advancement goals. Aspen is dedicated to providing the highest quality education experiences taught by top-tier professors - 67% of our adjunct professors hold doctorate degrees.

Corporate Information

Our corporate headquarters are located at 720 South Colorado Boulevard, Suite 1150N, Denver, Colorado 80246 and our phone number is (303) 333-4224. Our corporate website can be found at www.aspen.edu/Investor-Relations. The information on our website is not incorporated in this prospectus.

Risks Affecting Us

Our business is subject to numerous risks as discussed more fully in the section entitled "Risk Factors" immediately following this Prospectus Summary. In particular, our business would be adversely affected if:

- we are unable to comply with the extensive regulatory requirements to which our business is subject, including Title IV of the Higher Education Act, or Title IV, and the regulations under that act, state laws and regulations, accrediting agency requirements, and our inability to comply with these regulations could result in our ceasing operations altogether;

- we are unable to raise enough money or generate sufficient revenue to meet our future working capital needs;

- our marketing and advertising efforts are not effective;

- we are unable to develop new programs and expand our existing programs in a timely and cost-effective manner;

- we are unable to retain students as a result of our increased tuition plan;

- we are unable to attract and retain key personnel needed to sustain and grow our business; or

- our reputation is damaged by regulatory actions or negative publicity affecting us or other companies in the for-profit higher education sector.

For a discussion of these and other risks you should consider before making an investment in our common stock, see the section entitled “Risk Factors” beginning on page 9 of this prospectus.

THE OFFERING

Common stock outstanding prior to the offering:	48,408,127 shares
Common stock offered by the selling shareholders:	15,007,939 shares, all of which are outstanding as of the date this prospectus
Common stock offered by the selling shareholders upon exercise of warrants:	5,221,244 shares
Common stock outstanding immediately following the offering:	53,629,371 shares
Use of proceeds:	Except for the proceeds we receive upon the exercise of warrants, we will not receive any proceeds from the sale of shares by the selling shareholders. See "Use of Proceeds" on page 24.
Stock symbol:	OTCBB: ASPU

The number of shares of common stock to be outstanding prior to and after this offering excludes:

a total of 1,710,000 shares of common stock issuable upon the exercise of outstanding stock options;
a total of 790,000 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan;
a total of 456,000 shares of common stock issuable upon the exercise of warrants; and
a total of 500,000 shares of common stock issuable upon the conversion of notes.

SUMMARY FINANCIAL DATA

The following summary of our financial data should be read in conjunction with, and is qualified in its entirety by reference to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements appearing elsewhere in this prospectus. The data for the years ended December 31, 2011 and December 31, 2010 has been taken from our audited financial statements.

Statements of Operations Data

	Three Months Ended June 30, 2012 (Unaudited)	Three Months Ended June 30, 2011 (Unaudited)	Six Months Ended June 30, 2012 (Unaudited)	Six Months Ended June 30, 2011 (Unaudited)	Year Ended December 31, 2011 (As Restated)	Year Ended December 31, 2010 (As Restated)
Revenue	$1,407,282	$950,592	$2,765,101	$1,958,464	$4,477,931	$3,153,699
Operating Loss	$(1,537,032)	$(305,204)	$(3,330,290)	$(329,127)	$(2,095,503)	$(185,155)
Net loss	$(1,664,634)	$(308,679)	$(3,454,400)	$(350,821)	$(2,135,573)	$(465,014)
Net loss per common share – basic and diluted	$(0.05)	$(0.02)	$(0.13)	$(0.02)	$(0.14)	$(0.02)
Weighted average common shares outstanding (basic and diluted)	35,289,204	16,860,212	25,881,462	18,941,542	15,377,413	21,000,000

Balance Sheet Data

	June 30, 2012 (Unaudited)	December 31, 2011 (As Restated)
Cash and cash equivalents	$265,570	$ 766,602
Working capital (deficit)	$(3,594,740)	$ 532,182
Total assets	$3,718,379	$ 4,013,606
Total current liabilities	$5,177,251	$ 2,107,925
Accumulated deficit	$(8,780,770)	$ (5,326,370)
Total stockholders’ deficiency	$(1,899,721)	$ (2,027,561)

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to invest in Aspen. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Relating to Our Business

Our ability to continue as a going concern is in doubt absent obtaining adequate new debt or equity financing.

We incurred a net loss of approximately $2.1 million in 2011. We anticipate losses will continue until we are able to increase our enrollment under our new tuition plan and these new students paying higher rates have taken at least two courses. Additionally, our audited financial statements contain a going concern opinion. On September 28, 2012, we closed an equity financing of $2,757,000 and anticipate a second closing in October, 2012, increasing the total equity raised in both closings not to exceed $3,500,000. We cannot assure you that we will generate sufficient revenue to meet our future working capital needs. In such event, we may not be able to remain in business. Furthermore, this qualified opinion may affect our ability to obtain Department of Education, or DOE, certification for Title IV purposes.

Because our management has a limited recent operating history on which to evaluate our potential for future success and to determine if we will be able to execute our business plan, it is difficult to evaluate our future prospects and the risk of success or failure of our business.

Our management team began the process of taking control of Aspen from its founder and Chairman in May 2011 and embarked upon changes in Aspen’s business including adopting a new tuition plan, revamping its marketing approach, substantially increasing marketing expenditures, and upgrading Aspen’s technology infrastructure. While initial results are very encouraging, the limited time period makes it difficult to project whether we will be successful.

Our business may be adversely affected by a further economic slowdown in the U.S. or abroad or by an economic recovery in the U.S.

The U.S. and much of the world economy are experiencing difficult economic circumstances. We believe the recent economic downturn in the U.S., particularly the continuing high unemployment rate, has contributed to a portion of our recent enrollment growth as an increased number of working students seek to advance their education to improve job security or reemployment prospects. This effect cannot be quantified. However, to the extent that the economic downturn and the associated unemployment have increased demand for our programs, an improving economy and increased employment may eliminate this effect and reduce such demand as fewer potential students seek to advance their education. This reduction could have a material adverse effect on our business, financial condition, results of operations and cash flows. Conversely, a worsening of economic and employment conditions could adversely affect the ability or willingness of prospective students to pay our tuition and our former students to repay student loans, which could increase our bad debt expense, impair our ability to offer students loans under Title IV, and require increased time, attention and resources to manage defaults.

Because a significant portion of our revenues historically have been attributable to one corporate customer, if we are unable to maintain this key relationship or establish new relationships with additional corporate customers, our revenues will be adversely affected.

In 2011 and 2010, revenues from Verizon accounted for approximately 45% and 50% respectively, of our revenues. However, we pay our business development partner a material portion of the revenues from Verizon. This business development partner refers corporate clients and designs the certificate-based courses tailored to the needs of the corporations (subject to the approval of our professors). It will continue to receive a portion of the revenues from corporations it refers to us. Deducting these payments, Verizon accounted for 11% and 12% of our net revenues for 2011 and 2010, respectively. The loss of one or more of our corporate customers, including Verizon, a reduction in enrollments from them, or difficulty or failure to collect payments from any customer under financial distress would adversely affect our revenues.

If we cannot manage our growth, our results of operations may suffer and could adversely affect our ability to comply with federal regulations.

The growth that we have experienced after our new management began in May 2011, as well as any future growth that we experience, may place a significant strain on our resources and increase demands on our management information and reporting systems and financial management controls. We do not have experience scheduling courses and administering programs for more students than our current enrollment, and except for our President, our senior management has limited experience in online education. If growth negatively impacts our ability to manage our business, the learning experience for our students could be adversely affected, resulting in a higher rate of student attrition and fewer student referrals. Future growth will also require continued improvement of our internal controls and systems, particularly those related to complying with federal regulations under the Higher Education Act, as administered by the DOE, including as a result of our participation in federal student financial aid programs under Title IV. If we are unable to manage our growth, we may also experience operating inefficiencies that could increase our costs and adversely affect our profitability and results of operations.

Because there is strong competition in the postsecondary education market, especially in the online education market, our cost of acquiring students may increase and our results of operations may be harmed.

Postsecondary education is highly fragmented and competitive. We compete with traditional public and private two-year and four-year brick and mortar colleges as well as other for-profit schools, particularly those that offer online learning programs. Public and private colleges and universities, as well as other for-profit schools, offer programs similar to those we offer. Public institutions receive substantial government subsidies, and public and private institutions have access to government and foundation grants, tax-deductible contributions that create large endowments and other financial resources generally not available to for-profit schools. Accordingly, public and private institutions may have instructional and support resources that are superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and online for-profit schools, have substantially greater name recognition and financial and other resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that have not previously offered online education programs.

We may not be able to compete successfully against current or future competitors and may face competitive pressures including price pressures that could adversely affect our business or results of operations and reduce our operating margins. We may also face increased competition if our competitors pursue relationships with the military and government educational programs with which we already have relationships. These competitive factors could cause our enrollments, revenues and profitability to decrease significantly.

In the event that we are unable to update and expand the content of existing programs and develop new programs and specializations on a timely basis and in a cost-effective manner, our results of operations may be harmed.

The updates and expansions of our existing programs and the development of new programs and specializations may not be accepted by existing or prospective students or employers. If we cannot respond to changes in market requirements, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students require or as quickly as our competitors introduce competing programs. To offer a new academic program, we may be required to obtain appropriate federal, state and accrediting agency approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, a new academic program that must prepare students for gainful employment must be approved by the DOE for Title IV purposes if the institution is provisionally certified, which we are through September 30, 2013. If we are unable to respond adequately to changes in market requirements due to financial

constraints, regulatory limitations or other factors, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing programs may require us to make investments in management and faculty, incur marketing expenses and reallocate other resources. If we are unable to increase the number of students, or offer new programs in a cost-effective manner, or are otherwise unable to manage effectively the operations of newly established academic programs, our results of operations and financial condition could be adversely affected.

Because our future growth and profitability will depend in large part upon the effectiveness of our marketing and advertising efforts, if those efforts are unsuccessful we may not be profitable in the future.

Our future growth and profitability will depend in large part upon our media performance, including our ability to:

- Create greater awareness of our school and our programs;
- Identify the most effective and efficient level of spending in each market and specific media vehicle;
- Determine the appropriate creative message and media mix for advertising, marketing and promotional expenditures; and
- Effectively manage marketing costs (including creative and media).

Our marketing expenditures may not result in increased revenue or generate sufficient levels of brand name and program awareness. If our media performance is not effective, our future results of operations and financial condition will be adversely affected.

Although our new management is spearheading a new marketing and advertising program, it may not be successful.

Mr. Michael Mathews, our Chief Executive Officer, and Mr. Brad Powers, our Chief Marketing Officer, have developed a new marketing campaign designed to substantially increase our student enrollment. While initial results have been as anticipated, there are no assurances that this new marketing campaign will continue to be successful. Among the risks are the following:

- Our ability to compete with existing online colleges which have substantially greater financial resources, deeper management and academic resources, and enhanced public reputations;
- the emergence of more successful competitors;
- factors related to our marketing, including the costs of Internet advertising and broad-based branding campaigns;
- limits on our ability to attract and retain effective employees because of the new incentive payment rule;
- performance problems with our online systems;
- failure to maintain accreditation;
- student dissatisfaction with our services and programs;
- adverse publicity regarding us, our competitors or online or for-profit education generally;
- a decline in the acceptance of online education;
- a decrease in the perceived or actual economic benefits that students derive from our programs;
- potential students may not be able to afford the monthly payments; and
- potential students may not react favorably to our marketing and advertising campaigns.

If our new marketing campaign and tuition plan are not favorably received, our revenues may not increase.

If student enrollment decreases as a result of our increased tuition plan, our results of operations may be adversely affected.

In July 2011, we launched a new tuition plan which provided for a material increase in our tuition prices. The prior business model and pricing structure implemented by our prior management was flawed and could not be sustained. Although changes in our marketing strategy and upgraded technology infrastructure have increased our enrollment, we cannot assure that our student enrollment will not suffer in the future as a result of the increased tuition. If we are unable to enroll students in a cost-effective manner, our results of operations will suffer and you may lose your investment.

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If we incur system disruptions to our online computer networks, it could impact our ability to generate revenue and damage our reputation, limiting our ability to attract and retain students.

In 2011, we spent approximately $1 million to update our computer network primarily to permit accelerated student enrollment and enhance our students' learning experience. The performance and reliability of our technology infrastructure is critical to our reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in bandwidth usage, could result in the unavailability of our online classroom, damaging our reputation and could cause a loss in enrollment. Our technology infrastructure could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters, terrorist activities and telecommunications failures.

Although one of our directors has pledged shares of common stock to secure payment of a receivable, it is possible that the future market price of Aspen's common stock will decline in which case Aspen will incur an adverse impact to its future operating results and financial condition.

In March 2012, one of our directors pledged a total of 117,943 shares of personally owned Aspen University Inc. common stock (now shares of the Public Company). The shares were pledged (in addition to shares pledged by Aspen's founder and his company) to secure payment of a $772,793 accounts receivable. The Stock Pledge Agreement provides that the shares will be cancelled at the rate of $1.00 per share in the event that Aspen is unable to collect this receivable which is due in 2014. Because of sales of common stock below $1.00 per share, the value of the collateral was reduced to $70,765 as of June 30, 2012 and the receivable in total was reduced to $463,676 through the establishing of an allowance. Because of our September 28, 2012, private placement, we expect to further reduce the value of the collateral by $41,280 and the receivable will be reduced to $270,478 at September 30, 2012. If we are unable to collect on this receivable, Aspen will suffer a number of consequences, including:

- The amount written off will reduce total assets on Aspen's balance sheet; or
- If Aspen's common stock is less than $0.35 per share, it will be damaged to the extent it seeks to sell the treasury shares at a price of less than $0.35; or
- If the founder institutes litigation against Aspen and is successful, Aspen will be required to pay any adverse judgment or otherwise consummate a settlement. As a consequence, in addition to this out-of-pocket damage, any litigation will be expensive, result in substantial attorney's fees, accounting fees, expert witness fees and divert management from our business.

In April 2012, the founder and his corporation, which is Aspen's principal shareholder, agreed not to sue Aspen unless Aspen first sues them. However, Aspen has not fully complied with its commitment to purchase 600,000 shares under the Agreement. Thus, there is uncertainty as to whether the agreement not to sue remains in effect.

If we experience any interruption to our technology infrastructure, it could prevent students from accessing their courses, could have a material adverse effect on our ability to attract and retain students and could require us to incur additional expenses to correct or mitigate the interruption.

Our computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information, personal information about our students or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

Because we rely on third parties to provide services in running our operations, if any of these parties fail to provide the agreed services at an acceptable level, it could limit our ability to provide services and/or cause student

dissatisfaction, either of which could adversely affect our business.

We rely on third parties to provide us with services in order for us to efficiently and securely operate our business including our computer network and the courses we offer to students. Any interruption in our ability to obtain the services of these or other third parties or deterioration in their performance could impair the quality of our educational product and overall business. Generally, there are multiple sources for the services we purchase. Our business could be disrupted if we were required to replace any of these third parties, especially if the replacement became necessary on short notice, which could adversely affect our business and results of operations.

If we or our service providers are unable to update the technology that we rely upon to offer online education, our future growth may be impaired.

We believe that continued growth will require our service providers to increase the capacity and capabilities of their technology infrastructure. Increasing the capacity and capabilities of the technology infrastructure will require these third parties to invest capital, time and resources, and there is no assurance that even with sufficient investment their systems will be scalable to accommodate future growth. Our service providers may also need to invest capital, time and resources to update their technology in response to competitive pressures in the marketplace. If they are unwilling or unable to increase the capacity of their resources or update their resources appropriately and we cannot change over to other service providers efficiently, our ability to handle growth, our ability to attract or retain students, and our financial condition and results of operations could be adversely affected.

Because we rely on third party administration and hosting of open source software for our online classroom, if that third party were to cease to do business or alter its business practices and services, it could have an adverse impact on our ability to operate.

Our online classroom employs the Moodle learning management system which is an open source learning platform and is supported by the open source community. The system is a web-based portal that stores and delivers course content, provides interactive communication between students and faculty, and supplies online evaluation tools. While Moodle is an open source learning platform, we rely on third parties to host and help with the administration of it. We further rely on third parties, the Moodlerooms, Inc. agreement and the open source community as well as our internal staff for ongoing support and customization and integration of the system with the rest of our technology infrastructure. If Moodlerooms or the open source community that supports it were unable or unwilling to continue to provide us with service, we may have difficulty maintaining the software required for our online classroom or updating it for future technological changes. Any failure to maintain our online classroom would have an adverse impact on our operations, damage our reputation and limit our ability to attract and retain students.

Because the personal information that we or our vendors collect may be vulnerable to breach, theft or loss, any of these factors could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Aspen uses a third party to collect and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal information is held and managed by certain of our vendors. Errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches, restrict our use of personal information, and cause us to lose our certification to participate in the Title IV programs. We cannot guarantee that there will not be a breach, loss or theft of personal information that we store or our third parties store. A breach, theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under state and federal privacy statutes and legal or administrative actions by state attorneys general, private litigants, and federal regulators any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because the CAN-SPAM Act imposes certain obligations on the senders of commercial emails, it could adversely impact our ability to market Aspen’s educational services, and otherwise increase the costs of our business.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or CAN-SPAM Act, establishes requirements for commercial email and specifies penalties for commercial email that violates the CAN-SPAM Act. In addition, the CAN-SPAM Act gives consumers the right to require third parties to stop sending them commercial email.

The CAN-SPAM Act covers email sent for the primary purpose of advertising or promoting a commercial product, service, or Internet website. The Federal Trade Commission, a federal consumer protection agency, is primarily responsible for enforcing the CAN-SPAM Act, and the Department of Justice, other federal agencies, State Attorneys General, and Internet service providers also have authority to enforce certain of its provisions.

The CAN-SPAM Act’s main provisions include:

Prohibiting false or misleading email header information;

- Prohibiting the use of deceptive subject lines;
- Ensuring that recipients may, for at least 30 days after an email is sent, opt out of receiving future commercial email messages from the sender;
- Requiring that commercial email be identified as a solicitation or advertisement unless the recipient affirmatively permitted the message; and
- Requiring that the sender include a valid postal address in the email message.

The CAN-SPAM Act also prohibits unlawful acquisition of email addresses, such as through directory harvesting and transmission of commercial emails by unauthorized means, such as through relaying messages with the intent to deceive recipients as to the origin of such messages.

Violations of the CAN-SPAM Act's provisions can result in criminal and civil penalties, including statutory penalties that can be based in part upon the number of emails sent, with enhanced penalties for commercial email companies who harvest email addresses, use dictionary attack patterns to generate email addresses, and/or relay emails through a network without permission.

The CAN-SPAM Act acknowledges that the Internet offers unique opportunities for the development and growth of frictionless commerce, and the CAN-SPAM Act was passed, in part, to enhance the likelihood that wanted commercial email messages would be received.

The CAN-SPAM Act preempts, or blocks, most state restrictions specific to email, except for rules against falsity or deception in commercial email, fraud and computer crime. The scope of these exceptions, however, is not settled, and some states have adopted email regulations that, if upheld, could impose liabilities and compliance burdens in addition to those imposed by the CAN-SPAM Act.

Moreover, some foreign countries, including the countries of the European Union, have regulated the distribution of commercial email and the online collection and disclosure of personal information. Foreign governments may attempt to apply their laws extraterritorially or through treaties or other arrangements with U.S. governmental entities.

Because we use email marketing, our requirement to comply with the CAN-SPAM Act could adversely affect Aspen's marketing activities and increase its costs.

If we lose the services of key personnel, it could adversely affect our business.

Our future success depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued services of Mr. Michael Mathews, our Chief Executive Officer, and Dr. Gerald Williams, our President, who are critical to the management of our business and operations and the development of our strategic direction and would also be difficult to replace. The loss of the services of Mr. Mathews and/or Dr. Williams and other key individuals and the process to replace these individuals would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

If we are unable to attract and retain our faculty, administrators, management and skilled personnel, we may not be able to support our growth strategy.

To execute our growth strategy, we must attract and retain highly qualified faculty, administrators, management and skilled personnel. Competition for hiring these individuals is intense, especially with regard to faculty in specialized areas. If we fail to attract new skilled personnel or faculty or fail to retain and motivate our existing faculty, administrators, management and skilled personnel, our business and growth prospects could be severely harmed. The DOE's revised incentive payment rule, which took effect July 1, 2011, may affect the manner in which we attract, retain, and motivate new and existing employees.

If we are unable to protect our intellectual property, our business could be harmed.

In the ordinary course of our business, we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, trade secret or other protections. This intellectual property includes but is not limited to courseware materials, business know-how and internal processes and procedures developed to respond to the requirements of operating and various education regulatory agencies. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names, agreements and registrations to protect our intellectual property. We rely on service mark and trademark protection in the U.S. to protect our rights to the mark "ASPEN UNIVERSITY" as well as distinctive logos and other marks associated with our services. We rely on agreements

under which we obtain rights to use course content developed by faculty members and other third party content experts. We cannot assure you that the measures that we take will be adequate or that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights in the U.S. or select foreign jurisdictions, or that third parties will not infringe upon or violate our proprietary rights. Despite our efforts to protect these rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our curricula, online resource material and other content, and offer competing programs to ours.

In particular, third parties may attempt to develop competing programs or duplicate or copy aspects of our curriculum, online resource material, quality management and other proprietary content. Any such attempt, if successful, could adversely affect our business. Protecting these types of intellectual property rights can be difficult, particularly as it relates to the development by our competitors of competing courses and programs.

We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third party.

If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses and pay substantial damages.

Third parties may claim that we are infringing or violating their intellectual property rights. Any such claims could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using our intellectual property that may be fundamental to our business. Even if we were to prevail, any litigation regarding the intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

If we incur liability for the unauthorized duplication or distribution of class materials posted online during our class discussions, it may affect our future operating results and financial condition.

In some instances, our faculty members or our students may post various articles or other third party content on class discussion boards. We may incur liability for the unauthorized duplication or distribution of this material posted online for class discussions. Third parties may raise claims against us for the unauthorized duplication of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. As a result we may be required to alter the content of our courses or pay monetary damages.

Because we are an exclusively online provider of education, we are entirely dependent on continued growth and acceptance of exclusively online education and, if the recognition by students and employers of the value of online education does not continue to grow, our ability to grow our business could be adversely impacted.

We believe that continued growth in online education will be largely dependent on additional students and employers recognizing the value of degrees and courses from online institutions. If students and employers are not convinced that online schools are an acceptable alternative to traditional schools or that an online education provides value, or if growth in the market penetration of exclusively online education slows, growth in the industry and our business could be adversely affected. Because our business model is based on online education, if the acceptance of online education does not grow, our ability to continue to grow our business and our financial condition and results of operations could be materially adversely affected.

As Internet commerce develops, federal and state governments may draft and propose new laws to regulate Internet commerce, which may negatively affect our business.

The increasing popularity and use of the Internet and other online services have led and may lead to the adoption of new laws and regulatory practices in the U.S. and to new interpretations of existing laws and regulations. These new laws and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, fair business practices and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more jurisdictions where they have no physical location or other presence. New laws, regulations or interpretations related to doing business over the Internet could increase our costs and materially and adversely affect our enrollments, revenues and results of operations.

If there is new tax treatment of companies engaged in Internet commerce, this may adversely affect the commercial use of our marketing services and our financial results.

Due to the growing budgetary problems facing state and local governments, it is possible that governments might attempt to tax our activities. New or revised tax regulations may subject us to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose taxes on commerce over the Internet. New or revised taxes and, in particular, sales or use taxes, would likely increase the cost of doing business online which could

have an adverse effect on our business and results of operations.

Risks Related to the Regulation of Our Industry

If we fail to comply with the extensive regulatory requirements for our business, we could face penalties and significant restrictions on our operations, including our students, loss of access to Title IV loans.

We are subject to extensive regulation by (1) the federal government through the DOE and under the Higher Education Act, (2) state regulatory bodies and (3) accrediting agencies recognized by the DOE, including the Distance Education and Training Council, or DETC, a "national accrediting agency" recognized by the DOE. The U.S. Department of Defense and the U.S. Department of Veterans Affairs regulate our participation in the military's tuition assistance program and the VA's veterans' education benefits program, respectively. The regulations, standards and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements can also affect our ability to add new or expand existing educational programs and to change our corporate structure and ownership.

Institutions of higher education that grant degrees, diplomas, or certificates must be authorized by an appropriate state education agency or agencies. In addition, in certain states as a condition of continued authorization to grant degrees and in order to participate in various federal programs, including tuition assistance programs of the United States Armed Forces, a school must be accredited by an accrediting agency recognized by the U.S. Secretary of Education. Accreditation is a non-governmental process through which an institution submits to qualitative review by an organization of peer institutions, based on the standards of the accrediting agency and the stated aims and purposes of the institution. The Higher Education Act requires accrediting agencies recognized by the DOE to review and monitor many aspects of an institution's operations and to take appropriate action when the institution fails to comply with the accrediting agency's standards.

Our operations are also subject to regulation due to our participation in Title IV programs. Title IV programs, which are administered by the DOE, include loans made directly to students by the DOE. Title IV programs also include several grant programs for students with economic need as determined in accordance with the Higher Education Act and DOE regulations. To participate in Title IV programs, a school must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting agency recognized by the U.S. Secretary of Education, and be certified as an eligible institution by the DOE. Our growth strategy is partly dependent on enrolling more students who are attracted to us because of our continued participation in the Title IV programs.

The regulations, standards, and policies of the DOE, state education agencies, and our accrediting agencies change frequently. Recent and impending changes in, or new interpretations of, applicable laws, regulations, standards, or policies, or our noncompliance with any applicable laws, regulations, standards, or policies, could have a material adverse effect on our accreditation, authorization to operate in various states, activities, receipt of funds under tuition assistance programs of the United States Armed Forces, our ability to participate in Title IV programs, receipt of veterans education benefits funds, or costs of doing business. Findings of noncompliance with these regulations, standards and policies also could result in our being required to pay monetary damages, or being subjected to fines, penalties, injunctions, limitations on our operations, termination of our ability to grant degrees, revocation of our accreditation, restrictions on our access to Title IV program funds or other censure that could have a material adverse effect on our business.

If we do not maintain authorization in Colorado, our operations would be curtailed, and we may not grant degrees.

Aspen is headquartered in Colorado and is authorized by the Colorado Commission on Higher Education to grant degrees, diplomas or certificates. If we were to lose our authorization from the Colorado Commission on Higher Education, we would be unable to provide educational services in Colorado and we would lose our eligibility to participate in the Title IV programs.

Our failure to comply with regulations of various states could have a material adverse effect on our enrollments, revenues, and results of operations.

Various states impose regulatory requirements on education institutions operating within their boundaries. Several states assert jurisdiction over online education institutions that have no physical location or other presence in the state but offer education services to students who reside in the state or advertise to or recruit prospective students in the state. State regulatory requirements for online education are inconsistent among states and not well developed in many jurisdictions. As such, these requirements change frequently and, in some instances, are not clear or are left to the discretion of state regulators.

State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters. To the extent that we have obtained, or obtain in the future, additional authorizations or licensure, changes in state laws and regulations and the interpretation of those laws

and regulations by the applicable regulators may limit our ability to offer education programs and award degrees. Some states may also prescribe financial regulations that are different from those of the DOE. If we fail to comply with state licensing or authorization requirements, we may be subject to the loss of state licensure or authorization. If we fail to comply with state requirements to obtain licensure or authorization, we may be the subject of injunctive actions or penalties. Loss of licensure or authorization or the failure to obtain required licensures or authorizations could prohibit us from recruiting or enrolling students in particular states, reduce significantly our enrollments and revenues and have a material adverse effect on our results of operations. We enroll students in all 50 states, as well as the District of Columbia and Puerto Rico. We have sought and received confirmation that our operations do not require state licensure or authorization, or we have been notified that we are exempt from licensure or authorization requirements, in three states. We have submitted applications for approval or exemption in the remaining 47 states. We have contacted the remaining states directly seeking guidance on whether any authorization is required or if we are exempted from obtaining a license or authorization in that state. Because we VALIGN="bottom">

The share-based compensation benefit during the current year relates to the termination of awards granted to the Company s former Chief Executive Officer. At April 30, 2016, there was approximately $0.5 million of total unrecognized compensation cost related to Stock Options issued under the Company s plans. At April 30, 2016, there was approximately $0.6 million of total unrecognized compensation cost related to non-vested share-based compensation awards under the Company s plans.

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(14) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) combines net income (loss) and other comprehensive items. Other comprehensive items represent certain amounts that are reported as components of stockholder s equity in the accompanying condensed consolidated balance sheets.

Accumulated other comprehensive items consist of the following:

	Foreign currency items	Pension items	Unrealized gains (losses) on securities	Total
		(In thousands)		
Accumulated other comprehensive income (loss) at July 31, 2015	$ 7,670	$ (4,206)	$ 46	$ 3,510
Foreign currency translation adjustment	31			31
Net unrealized holding gain on securities			29	29
Net current-period other comprehensive income (loss)	31		29	60
Accumulated other comprehensive income (loss) at April 30, 2016	$ 7,701	$ (4,206)	$ 75	$ 3,570

(15) FOREIGN CURRENCY CONTRACTS

During the quarter ended April 30, 2016, the Company entered into foreign currency forward contracts to manage the foreign currency risk associated with anticipated foreign currency denominated transactions. As of April 30, 2016, the aggregate notional amount of the Company s outstanding foreign currency forward contracts was $3.7 million, as summarized below:

Currency Contracts	April 30, 2016 Foreign Currency Amount	Notional Contract Value in USD
	(In thousands)	
Buy CNH	24,155	$ 3,661

As of April 30, 2016, the fair value of the Company s short-term foreign currency contracts was $0.1 million and is included in other current assets. These contracts are designed to hedge the Company s exposure to transactions denominated in a non-functional currency and are not accounted for as hedges under the accounting standards. Accordingly, changes in the fair value of these instruments are recognized in earnings during the period of change as a component of Other Gains (Losses), Net. The contracts were classified within Level 2 of the fair value hierarchy. During the three and nine months ended April 30, 2016, the Company recognized $0.2 million and $0.1 million in net

gains associated with these contracts, respectively. During the three and nine months ended April 30, 2015, the Company recognized $0.5 million and $(0.6) million in net gains and (losses) associated with these contracts, respectively.

(16) SEGMENT INFORMATION

The Company has four operating segments: Americas; Asia; Europe; and e-Business. Based on the information provided to the Company s chief operating decision-maker (CODM) for purposes of making decisions about allocating resources and assessing performance and quantitative thresholds, the Company has determined that it has four reportable segments: Americas, Asia, Europe and e-Business. During the prior year, the Company had determined that it had three reportable segments: Americas; Asia; and Europe. e-Business was reported as a part of the All Other category in the prior year. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance, which are not allocated to the Company s reportable segments. The Corporate-level balance sheet information includes cash and cash equivalents, trading securities, investments in affiliates, notes payables and other assets and liabilities which are not identifiable to the operations of the Company s operating segments. All significant intra-segment amounts have been eliminated.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2016	2015	2016	2015
	(In thousands)			
Net revenue:				
Americas	$ 22,707	$ 32,732	$ 84,126	$ 167,772
Asia	33,217	35,082	131,624	123,530
Europe	33,186	30,720	116,585	125,761
e-Business	7,350	7,700	25,180	24,925
	$ 96,460	$ 106,234	$ 357,515	$ 441,988
Operating income (loss):				
Americas	$ (3,601)	$ (2,771)	$ (11,598)	$ (1,292)
Asia	(2,015)	895	1,031	8,925
Europe	(3,826)	(2,700)	(9,096)	(5,030)
e-Business	(1,248)	(12)	(2,149)	510
Total Segment operating income (loss)	(10,690)	(4,588)	(21,812)	3,113
Corporate-level activity	(1,807)	(2,964)	(5,155)	(8,872)
Total operating loss	(12,497)	(7,552)	(26,967)	(5,759)
Total other expense	260	3,860	13,714	5,489
Loss before income taxes	$ (12,757)	$ (11,412)	$ (40,681)	$ (11,248)

	April 30, 2016	July 31, 2015
	(In thousands)	
Total assets:		
Americas	$ 26,535	$ 41,367
Asia	102,070	122,277
Europe	79,237	67,783
e-Business	30,790	35,512
Sub-total - segment assets	238,632	266,939
Corporate	158,294	179,563
	$ 396,926	$ 446,502

Summarized financial information of the Company s net revenue from external customers by group of services is as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2016	2015	2016	2015
	(In thousands)			
Supply chain services	$ 89,110	$ 98,534	$ 332,335	$ 417,063
e-Business services	7,350	7,700	25,180	24,925
	$ 96,460	$ 106,234	$ 357,515	$ 441,988

As of April 30, 2016, approximately $12.0 million, $6.0 million, $3.7 million and $3.1 million of the Company s long-lived assets were located in the U.S.A., Netherlands, Ireland and China, respectively. As of July 31, 2015, approximately $12.4 million, $5.2 million, $3.7 million and $3.3 million of the Company s long-lived assets were located in the U.S.A., Netherlands, Ireland and China, respectively.

For the three months ended April 30, 2016, the Company s net revenues within U.S.A., China, Netherlands and Czech Republic were $23.7 million, $26.0 million, $13.5 million and $17.8 million, respectively For the three months ended April 30, 2015, the Company s net revenues within U.S.A., China, Netherlands and Czech Republic were $33.6 million, $28.2 million, $12.7 million and $16.6 million, respectively.

For the nine months ended April 30, 2016, the Company s net revenues within U.S.A., China, Netherlands and Czech Republic were $88.8 million, $109.8 million, $51.2 million and $58.7 million, respectively. For the nine months ended April 30, 2015, the Company s net revenues within U.S.A., China, Netherlands and Czech Republic were $169.9 million, $100.3 million, $52.6 million and $65.4 million, respectively.

(17) RELATED PARTY TRANSACTIONS

On December 24, 2014, SP Corporate Services LLC (SP Corporate), an indirect wholly owned subsidiary of Steel Partners Holdings L.P. (a related party), entered into a Management Services Agreement (the Management Services Agreement) with the Company. Pursuant to the Management Services Agreement, SP Corporate will provide the Company and its subsidiaries with the services of certain employees, including certain executive officers, and other corporate services. The Management Services Agreement was approved by a special committee of the Company s Board of Directors comprised entirely of independent directors (the Related Party Transactions Committee). SP Corporate will be subject to the supervision and control of the Committee while performing its obligations under the Management Services Agreement. The Management Services Agreement provides that the Company will pay SP Corporate a fixed monthly fee of $175,000 in consideration of the Services. The fees payable under the Management Services Agreement are subject to review and such adjustments as may be agreed upon by SP Corporate and the Company.

The Management Services Agreement was effective as of January 1, 2015 and was to continue through June 30, 2015. During the quarter ended July 31, 2015, the Company and SP Corporate entered into an amendment to extend the term of the Management Services Agreement through December 31, 2015, with such term renewing for successive one year periods unless and until terminated pursuant to the terms of the Management Services Agreement.

On March 10, 2016, the Company entered into an Amendment to the Management Services Agreement between the Company and SPH Services, Inc. (SPH Services) modifying the services provided by SPH Services to the Company pursuant to the terms of the Amendment. Also on March 10, 2016, the Company entered into a Transfer Agreement with SPH Services pursuant to which the parties agreed to transfer to the Company certain individuals who provide corporate services to the Company. The Amendment to the Management Services Agreement and the Transfer Agreement were approved by the Related Party Transactions Committee.

(18) FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

ASC Topic 820 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 Topic 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:

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

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, current liabilities and the revolving line of credit approximate fair value because of the short maturity of these instruments. The carrying value of capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company s current incremental borrowing rates for similar types of borrowing arrangements. The fair values of the Company s Trading Securities are estimated using quoted market prices. The Company values foreign exchange forward contracts using observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount. The defined benefit plans have 100% of their assets invested in bank-managed portfolios of debt securities and other assets. Conservation of capital with some conservative growth potential is the strategy for the plans. The Company s pension plans are outside the United States, where asset allocation decisions are typically made by an independent board of trustees. Investment objectives are aligned to generate returns that will enable the plans to meet their future obligations. The Company acts in a consulting and governance role in reviewing investment strategy and providing a recommended list of investment managers for each plan, with final decisions on asset allocation and investment manager made by local trustees.

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

The following tables present the Company s financial assets measured at fair value on a recurring basis as of April 30, 2016 and July 31, 2015, classified by fair value hierarchy:

		Fair Value Measurements at Reporting Date Using		
(In thousands)	**April 30, 2016**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Marketable equity securities	$ 4,869	$ 4,869	$	$
Marketable corporate bonds	12,068	12,068		
Money market funds	121,819	121,819		
Foreign currency contracts	53		53	

		Fair Value Measurements at Reporting Date Using		
(In thousands)	**July 31, 2015**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Marketable equity securities	$ 37,396	$ 37,396	$	$
Marketable corporate bonds	41,320	41,320		
Money market funds	76,277	76,277		

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

When available, quoted prices were used to determine fair value. When quoted prices in active markets were available, investments were classified within Level 1 of the fair value hierarchy. When quoted prices in active markets were not available, fair values were determined using pricing models, and the inputs to those pricing models were based on observable market inputs. The inputs to the pricing models were 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 only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were certain assets subject to long-lived asset impairment.

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 estimated 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. The Company uses the income approach when determining the fair value of its reporting units.

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, accounts payable and long-term debt and are reflected in the financial statements at cost. With the exception of long-term debt, cost approximates fair value for these items due to their short-term nature.

Included in trading securities in the accompanying balance sheet are marketable equity securities and marketable corporate bonds. These instruments are valued at quoted market prices in active markets. Included in cash and cash equivalents in the accompanying balance sheet are money market funds. These are valued at quoted market prices in active markets.

The following table presents the Company s debt not carried at fair value:

	April 30, 2016		July 31, 2015		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy
	(In thousands)				
Notes payable	$ 81,228	$ 69,712	$ 77,864	$ 88,188	Level 1

The fair value of our Notes payable represents the value at which our lenders could trade our debt within the financial markets, and does not represent the settlement value of these long-term debt liabilities to us. The fair value of the Notes payable could vary each period based on fluctuations in market interest rates, as well as changes to our credit ratings. The Notes payable are traded and their fair values are based upon traded prices as of the reporting dates.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
The matters discussed in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended that involve risks and uncertainties. All statements other than statements of historical information provided herein may be deemed to be forward-looking statements. Without limiting the foregoing, the words believes , anticipates , plans , expects an similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, those discussed in Part II Item 1A below and elsewhere in this report and the risks discussed in the Company s Annual Report on Form 10-K filed with the SEC on October 14, 2015. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management s analysis, judgment, belief or expectation only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof, except as required by applicable securities laws and regulations.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Overview

ModusLink Global Solutions, through ModusLink and ModusLink PTS, executes comprehensive supply chain and logistics services (the Supply Chain Business) that are designed to improve clients revenue, cost, sustainability and customer experience objectives. The Supply Chain Business provides services to leading companies in consumer electronics, communications, computing, medical devices, software, and retail. The Company s operations are supported by a global footprint that includes approximately 25 sites across North America, Europe, and the Asia Pacific region.

We operate an integrated supply chain system infrastructure that extends from front-end order management through distribution and returns management. This end-to-end solution enables clients to link supply and demand in real time, improve visibility and performance throughout the supply chain, and provide real-time access to information for greater collaboration and making informed business decisions. We believe that our clients can benefit from our global integrated business solution.

Historically, a significant portion of our revenue from our Supply Chain Business has been generated from clients in the computer and software markets. These markets, while large in size, are mature and, as a result, gross margins in these markets tend to be lower than other markets the Company operates in. To address this, in addition to the computer and software markets, we have expanded our sales focus to include additional markets such as communications and consumer electronics, among others. We believe these markets, and other verticals we operate in, may experience faster growth than our historical markets, and represent opportunities to realize higher gross margins on the services we offer. Companies in these markets often have significant need for a supply chain partner who will be an extension to their business models. We believe the scope of our service offerings, including value-added warehousing and distribution, repair and recovery, aftersales, returns management, financial management, entitlement management, contact center support, material planning and factory supply, and e-Business will increase the overall value of the supply chain solutions we deliver to our existing clients and to new clients.

Many of our clients products are subject to seasonal consumer buying patterns. As a result, the services we provide to our clients are also subject to seasonality, with higher revenue and operating income typically being realized from handling our clients products during the first half of our fiscal year, which includes the holiday selling season. Furthermore, many of our clients have global operations and we believe they have been adversely impacted by

continued economic pressures in certain global regions.

Management evaluates operating performance based on net revenue, operating income (loss) and net income (loss) and a measure that we refer to as adjusted EBITDA, defined as net income (loss) excluding net charges related to interest income, interest expense, income tax expense, depreciation, amortization of intangible assets, SEC inquiry and financial restatement costs, strategic consulting and other related professional fees, restructuring, share-based compensation, impairment of long-lived assets, unrealized foreign exchange gains and losses, net, other non-operating gains and losses, net, and gains and losses, and equity in gains and losses, of affiliates and impairments. Among the key factors that will influence our performance are successful execution and implementation of our strategic initiatives, global economic conditions, especially in the technology sector, which comprises a predominant proportion of our business, demand for our clients products, the effect of product form factor changes, technology changes, revenue mix and demand for outsourcing services.

As a large portion of our revenue comes from outsourcing services provided to clients such as retail products and consumer electronics companies, our operating performance has been and may continue to be adversely affected by declines in the overall performance of the technology sector and uncertainty affecting the world economy. In addition, the drop in consumer demand for products of certain clients has had and may continue to have the effect of reducing our volumes and adversely affecting our revenue, gross margin and overall operating performance. Additionally, the markets for our services are generally very competitive, though we believe we have a compelling and differentiated offering due to the value-added services we provide, our commitment to client management, and our global reach. We also face pressure from our clients to continually realize efficiency gains in order to help our clients maintain their profitability objectives. Increased competition and client demands for efficiency improvements may result in price reductions, reduced gross margins and, in some cases, loss of market share. In addition, our profitability varies based on the types of services we provide and the regions in which we perform them. Therefore, the mix of revenue derived from our various services and locations can impact our gross margin results. Also, form factor changes, which we describe as the reduction in the amount of materials and product components used in our clients completed packaged product, can also have the effect of reducing our revenue and gross margin opportunities. As a result of these competitive and client pressures the gross margins in our business are low. We are developing plans to address process improvements and realize other efficiencies throughout our global footprint with a goal to reduce cost, remove waste and improve our overall gross margins. There can be no assurance that these actions will improve gross margins. For the three months ended April 30, 2016 and 2015, our gross margin percentage was 2.3% and 8.5%, respectively. Increased competition as well as industry consolidation and/or low demand for our clients products and services may hinder our ability to maintain or improve our gross margins, profitability and cash flows. We must continue to focus on margin improvement, through implementation of our strategic initiatives, cost reductions and asset and employee productivity gains in order to improve the profitability of our business and maintain our competitive position. We generally manage margin and pricing pressures in several ways, including efforts to target new markets, expand our service offerings, improve the efficiency of our processes and to lower our infrastructure costs. We seek to lower our cost to service clients by moving work to lower-cost venues, consolidating and leveraging our global facility footprint, and other actions designed to improve the productivity of our operations.

Historically, a limited number of key clients have accounted for a significant percentage of our revenue. For the three and nine months ended April 30, 2016, our top ten clients collectively accounted for approximately 68% and 71% of our net revenue, respectively. We expect to continue to derive the vast majority of our revenue from sales to a small number of key clients, and we plan to expand into new markets and over time, diversify the concentration of revenue across additional clients. In general, we do not have any agreements which obligate any client to buy a minimum amount of services from us or designate us as an exclusive service provider. Consequently, our net revenue is subject to demand variability by our clients. The level and timing of orders placed by our clients vary for a variety of reasons, including seasonal buying by end-users, the introduction of new technologies and general economic conditions. By diversifying into new markets and improving the operational support structure for our clients, we expect to offset the adverse financial impact such factors may bring about.

For the three months ended April 30, 2016, the Company reported net revenue of $96.5 million, operating loss of $12.5 million, loss before income taxes of $12.8 million and net loss of $12.8 million. For the nine months ended April 30, 2016, the Company reported net revenue of $357.5 million, operating loss of $27.0 million, loss before income taxes of $40.7 million and net loss of $41.6 million. For the three months ended April 30, 2015, the Company reported net revenues of $106.2 million, operating loss of $7.6 million, loss before income taxes of $11.4 million and net loss of $12.1 million. For the nine months ended April 30, 2015, the Company reported net revenue of $442.0 million, operating loss of $5.8 million, loss before income taxes of $11.2 million and net loss of $13.4 million. At April 30, 2016, the Company had cash and cash equivalents of $149.6 million, and working capital of $165.6 million.

Basis of Presentation

The Company presents its financial information in accordance with accounting principles generally accepted in the United States, U.S. GAAP (or GAAP). The Company has four operating segments: Americas; Asia; Europe and e-Business. The Company has four reportable segments: Americas; Asia; Europe; and e-Business. The Company also has Corporate-level activity, which consists primarily of costs associated with certain corporate administrative functions such as legal and finance which are not allocated to the Company s reportable segments and administration costs related to the Company s venture capital activities. The corporate-level balance sheet information includes cash and cash equivalents, trading securities, investments in affiliates, notes payable and other assets and liabilities which are not identifiable to the operations of the Company s operating segments.

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

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Results of Operations

Three months ended April 30, 2016 compared to the three months ended April 30, 2015

Net Revenue:

	Three Months Ended April 30, 2016	As a % of Total Net Revenue	Three Months Ended April 30, 2015	As a % of Total Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 22,707	23.5%	$ 32,732	30.8%	$ (10,025)	(30.6%)
Asia	33,217	34.4%	35,082	33.0%	(1,865)	(5.3%)
Europe	33,186	34.4%	30,720	28.9%	2,466	8.0%
e-Business	7,350	7.7%	7,700	7.3%	(350)	(4.5%)
Total	$ 96,460	100.0%	$ 106,234	100.0%	$ (9,774)	(9.2%)

Net revenue decreased by approximately $9.8 million during the three months ended April 30, 2016, as compared to the same period in the prior year. This change in net revenue was primarily driven by decreased revenues from a consumer electronics client and an aftermarket services program related to the repair and refurbishment of mobile devices, partially offset by increases in revenue from other consumer electronics clients. Fluctuations in foreign currency exchange rates had an insignificant impact on net revenues for the quarter ended April 30, 2016 as compared to the same period in the prior year. Revenue from new programs, which the Company defines as client programs that have been executed for fewer than 12 months, was $12.7 million for the quarter ended April 30, 2016 as compared to $12.9 million for the same period in the prior year. The decrease in revenue from new programs was primarily due to programs associated with a consumer electronics market now being classified as base, offset by new consumer electronics clients.

During the second quarter of fiscal year 2014, a major client in the computing market notified us of an intended change in their sourcing strategy effective during our third fiscal quarter of fiscal 2014 for one of their supply chain programs in Asia for which we were the primary service provider. While we were notified that the client intended to add an additional service provider to this program, we expect to continue to be the primary service provider. We expected this change in sourcing strategy to result in reduced annualized net revenue of approximately $15 million to $20 million, and to have a greater proportionate impact on operating income consistent with the historical margins realized from this type of service program. We have continued to seek to offset this loss of net revenue and associated operating income through increased revenues from other clients, new business opportunities, increases in productivity and ongoing cost reduction initiatives.

During the fourth quarter of fiscal year 2014, the Company was informed by a major client in the computing market that due to a further change in the client s supply chain strategy, a number of programs currently sourced with the Company primarily in the Americas would conclude by the first quarter of fiscal year 2015. Combined, these programs currently accounted for approximately $150 million to $160 million of annual net revenue and approximately $2.5 million to $3.5 million of operating income due to the historically low margins we have realized from these programs. We continue to seek to offset the loss of net revenue and the associated operating income

through increased revenues from new client program wins along with increased business with existing clients, ongoing productivity increases and cost reduction initiatives.

During the three months ended April 30, 2016, net revenue in the Americas region decreased by approximately $10.0 million. This change in net revenue was primarily driven by decreased revenues from certain consumer electronics clients and an aftermarket services program related to the repair and refurbishment of mobile devices. Within the Asia region, the net revenue decrease of approximately $1.9 million primarily resulted from lower revenues from programs in the consumer electronics and computing markets, offset by increase in revenues from a consumer electronics client. Within the Europe region, net revenue increased by approximately $2.5 million primarily due to higher revenues in the consumer electronics market. Net revenue for e-Business for the three months ended April 30, 2016, decrease by $0.4 million primarily due to a decrease in revenue from a consumer electronics clients, partially offset by increases from other clients.

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Cost of Revenue:

	Three Months Ended April 30, 2016	As a % of Segment Net Revenue	Three Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 23,492	103.5%	$ 32,358	98.9%	$ (8,866)	(27.4%)
Asia	30,041	90.4%	29,714	84.7%	327	1.1%
Europe	32,939	99.3%	28,163	91.7%	4,776	17.0%
e-Business	7,814	106.3%	6,987	90.7%	827	11.8%
Total	$ 94,286	97.7%	$ 97,222	91.5%	$ (2,936)	(3.0%)

Cost of revenue consists primarily of expenses related to the cost of materials purchased in connection with the provision of supply chain management services as well as costs for salaries and benefits, contract labor, consulting, fulfillment and shipping, and applicable facilities costs. Cost of revenue for the three months ended April 30, 2016 included materials procured on behalf of our clients of $55.6 million, as compared to $54.2 million for the same period in the prior year, an increase of $1.4 million. Total cost of revenue decreased by $2.9 million for the three months ended April 30, 2016, as compared to the three months ended April 30, 2015, primarily due to lower labor and materials costs from an aftermarket services program related to the repair and refurbishment of mobile devices and a consumer electronics client. Gross margin percentage for the third quarter of fiscal 2016 decreased to 2.3% from 8.5% in the prior year quarter, primarily as a result of lower volumes for clients in the consumer electronics market and an aftermarket services program related to the repair and refurbishment of mobile devices. For the three months ended April 30, 2016, the Company s gross margin percentages within the Americas, Asia, Europe and e-Business were -3.5%, 9.6%, 0.7% and -6.3% as compared to 1.1%, 15.3%, 8.3% and 9.3%, respectively, for the same period of the prior year. Recent actions implemented and other process improvements being developed are designed to improve efficiencies, lower costs and improve gross margins. There can be no assurance that these actions will improve gross margins. Furthermore, fluctuations in foreign currency exchange rates had an insignificant impact on gross margin for the quarter ended April 30, 2016.

In the Americas, the 4.6 percentage point decrease in gross margin, from 1.1% to -3.5%, resulted from lower volumes from a client in the consumer electronics market and an aftermarket services program related to the repair and refurbishment of mobile devices, which was not completely offset by a reduction in materials and labor costs. In Asia, the 5.7 percentage point decrease in gross margin, from 15.3% to 9.6%, was primarily the result of decline in volume from clients in the consumer electronics and computing markets and higher material costs for a consumer electronics client, partially offset by a lower decline in labor costs. In Europe, the 7.6 percentage point decrease in gross margin, from 8.3% to 0.7%, was attributable to an unfavorable revenue mix as well as unfavorable labor costs. The gross margin for e-Business was -6.3% for the three months ended April 30, 2016 as compared to 9.3% for the same period of the prior year. This decrease of 15.6 percentage points was due to increased labor costs associated with clients in the consumer products and consumer electronics industries.

Selling, General and Administrative Expenses:

	Three Months Ended April 30, 2016	As a % of Segment Net Revenue	Three Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 2,816	12.4%	$ 3,142	9.6%	$ (326)	(10.4%)
Asia	5,009	15.1%	4,212	12.0%	797	18.9%
Europe	4,073	12.3%	3,524	11.5%	549	15.6%
e-Business	784	10.7%	597	7.8%	187	31.3%
Sub-total	12,682	13.1%	11,475	10.8%	1,207	10.5%
Corporate-level activity	1,807		2,964		(1,157)	(39.0%)
Total	$ 14,489	15.0%	$ 14,439	13.6%	$ 50	0.3%

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Selling, general and administrative expenses consist primarily of compensation and employee-related costs, sales commissions and incentive plans, information technology expenses, travel expenses, facilities costs, consulting fees, fees for professional services, depreciation expense and marketing expenses. Selling, general and administrative expenses during the three months ended April 30, 2016 increased by approximately $0.1 million compared to the three-month period ended April 30, 2015, primarily as a result of the higher employee related costs ($1.2 million), offset by professional fees and SEC settlement related costs recognized in the prior year quarter ($1.1 million). Fluctuations in foreign currency exchange rates had an insignificant impact on selling, general and administrative expenses for the quarter ended April 30, 2016.

Amortization of Intangible Assets:

	Three Months Ended April 30, 2016	As a % of Segment Net Revenue	Three Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$	0.0%	$ 3	0.0%	$ (3)	(100.0%)
e-Business		0.0%	128	1.7%	(128)	(100.0%)
Total	$	0.0%	$ 131	0.1%	$ (131)	(100.0%)

The intangible asset amortization relates to certain amortizable intangible assets acquired by the Company in connection with its acquisitions. The intangible assets were fully amortized as of April 30, 2015.

Restructuring, net:

	Three Months Ended April 30, 2016	As a % of Segment Net Revenue	Three Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Asia	$ 182	0.5%	$ 261	0.7%	$ (79)	(30.3%)
Europe		0.0%	1,733	5.6%	(1,733)	(100.0%)
Total	$ 182	0.2%	$ 1,994	1.9%	$ (1,812)	(90.9%)

The $0.2 million restructuring charge recorded during the three months ended April 30, 2016 primarily consisted of $0.2 million of employee-related costs in Asia, related to the workforce reduction of 17 employees in our global supply chain operations.

The $2.0 million restructuring charge recorded during the three months ended April 30, 2015 primarily consisted of $0.3 million and $1.7 million of employee-related costs in Asia and Europe, respectively, related to the workforce reduction of 63 employees in our global supply chain operations.

Interest Income/Expense:

During the three months ended April 30, 2016 and 2015, interest income was $0.3 million and $0.2 million, respectively.

During the three months ended April 30, 2016 and 2015, interest expense totaled approximately $2.8 million and $2.6 million, respectively. The interest expense primarily relates to the Company s issuance of $100 million of 5.25% Convertible Senior Notes during the third quarter of fiscal 2014.

Other Gains (Losses), net:

The Company recorded foreign exchange gains (losses) of approximately $0.1 million and $(0.1) million during the three months ended April 30, 2016 and 2015, respectively. For the three months ended April 30, 2016, the net losses primarily related to realized and unrealized gains from foreign currency exposures and settled transactions of approximately $0.5 million, $0.5 million $0.1 million in the Asia, Europe and e-Business, respectively, offset by net losses of $1.1 million in Corporate. For the three months ended April 30, 2015, the net losses primarily related to realized and unrealized gains (losses) from foreign currency exposures and settled transactions of approximately $0.1 million, 0.5 million, ($0.4 million) and ($0.3 million) in the Americas, Asia, Europe and e-Business, respectively

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During the three months ended April 30, 2016 and 2015, the Company recognized $1.9 million and $3.2 million in net gains associated with its Trading Securities. During the three months ended April 30, 2016 and 2015, the Company recognized $0.2 million and $0.5 million, respectively, in net gains associated with short-term foreign currency contracts.

Income Tax Expense:

During the three months ended April 30, 2016, the Company recorded income tax expense of approximately $0.4 million, as compared to income tax expense of $0.7 million for the same period in the prior fiscal year. For the three months ended April 30, 2016 and 2015, the Company was profitable in certain jurisdictions where the Company operates, resulting in an income tax expense using the enacted tax rates in those jurisdictions. The reduction in income taxes was primarily driven by lower operating income.

The Company provides for income tax expense related to federal, state, and foreign income taxes. The Company continues to maintain a full valuation allowance against its deferred tax assets in the U.S. and certain of its foreign subsidiaries due to the uncertainty of realizing such benefits.

Results of Operations

Nine months ended April 30, 2016 compared to the nine months ended April 30, 2015

Net Revenue:

	Nine Months Ended April 30, 2016	As a % of Total Net Revenue	Nine Months Ended April 30, 2015	As a % of Total Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 84,126	23.5%	$ 167,772	38.0%	$ (83,646)	(49.9%)
Asia	131,624	36.8%	123,530	27.9%	8,094	6.6%
Europe	116,585	32.6%	125,761	28.5%	(9,176)	(7.3%)
e-Business	25,180	7.1%	24,925	5.6%	255	1.0%
Total	$ 357,515	100.0%	$ 441,988	100.0%	$ (84,473)	(19.1%)

Net revenue decreased by approximately $84.5 million during the nine months ended April 30, 2016, as compared to the same period in the prior year. This decrease was primarily a result of lower volumes from a major computing market client, a major consumer electronics client and an aftermarket services program related to the repair and refurbishment of mobile devices, partially offset by an increase in revenue from other clients in the consumer electronics industries. Fluctuations in foreign currency exchange rates had an insignificant impact on net revenues for the nine months ended April 30, 2016. Revenue from new programs, which the Company defines as client programs that have been executed for fewer than 12 months, was $66.5 million during the nine months ended April 30, 2016, as compared to $43.8 million during the nine months ended April 30, 2015. The increase in revenue from new programs was primarily due to the addition of client programs associated with consumer electronics and consumer products markets. Base business is defined as client programs that have been executed for 12 months or more.

During the second quarter of fiscal year 2014, a major client in the computing market notified us of an intended change in their sourcing strategy effective during our third fiscal quarter of fiscal 2014 for one of their supply chain programs in Asia for which we were the primary service provider. While we were notified that the client intended to add an additional service provider to this program, we expect to continue to be the primary service provider. We expected this change in sourcing strategy to result in reduced annualized net revenue of approximately $15 million to $20 million, and to have a greater proportionate impact on operating income consistent with the historical margins realized from this type of service program. We have continued to seek to offset this loss of net revenue and associated operating income through increased revenues from other clients, new business opportunities, increases in productivity and ongoing cost reduction initiatives.

During the fourth quarter of fiscal year 2014, the Company was informed by a major client in the computing market that due to a further change in the client s supply chain strategy, a number of programs currently sourced with the Company primarily in the Americas would conclude by the first quarter of fiscal year 2015. Combined, these programs currently accounted for approximately $150 million to $160 million of annual net revenue and approximately $2.5 million to $3.5 million of operating income due to the

historically low margins we have realized from these programs. We continue to seek to offset the loss of net revenue and the associated operating income through increased revenues from new client program wins along with increased business with existing clients, ongoing productivity increases and cost reduction initiatives.

During the nine months ended April 30, 2016, net revenue in the Americas region decreased by approximately $83.6 million. This decrease occurred primarily as a result of lower volumes from a major computing market client, an aftermarket services program related to the repair and refurbishment of mobile devices and a large consumer electronics client. Within the Asia region, the net revenue increase of approximately $8.1 million primarily resulted from higher revenues from clients in the consumer electronics market. Within the Europe region, net revenue decreased by approximately $9.2 million primarily related to lower volumes from computing and consumer electronics markets clients, partially offset by increased revenue from other consumer electronics and consumer products clients. Net revenue for e-Business increased by approximately $0.2 million, primarily due to higher revenues from consumer products and consumer electronics clients, partially offset by other clients in the consumer electronics industries.

Cost of Revenue:

	Nine Months Ended April 30, 2016	As a % of Segment Net Revenue	Nine Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 85,751	101.9%	$ 157,920	94.1%	$ (72,169)	(45.7%)
Asia	115,077	87.4%	100,578	81.4%	14,499	14.4%
Europe	113,349	97.2%	116,863	92.9%	(3,514)	(3.0%)
e-Business	25,057	99.5%	22,183	89.0%	2,874	13.0%
Total	$ 339,234	94.9%	$ 397,544	89.9%	$ (58,310)	(14.7%)

Cost of revenue consists primarily of expenses related to the cost of materials purchased in connection with the provision of supply chain management services as well as costs for salaries and benefits, contract labor, consulting, fulfillment and shipping, and applicable facilities costs. Cost of revenue for the nine months ended April 30, 2016 included materials procured on behalf of our clients of $208.1 million, or 58.2% of consolidated net revenue, as compared to $243.8 million, or 55.2% of consolidated net revenue for the same period in the prior year, a decrease of $35.7 million. Total cost of revenue decreased by $58.3 million for the nine months ended April 30, 2016, as compared to the nine months ended April 30, 2015, primarily due to the decline in cost of materials associated with a major computing market and a consumer electronics market client and the reduction in labor costs primarily associated with an aftermarket services program related to the repair and refurbishment of mobile devices and a computing market client.

Gross margin decreased to 5.1% for the nine months ended April 30, 2016, from 10.1% for the nine months ended April 30, 2015, primarily as a result of reduction in revenue, partially offset by a reduction in labor costs. For the nine months ended April 30, 2016, the Company s gross margin percentages within the Americas, Asia, Europe and e-Business were -1.9%, 12.6%. 2.8% and 0.5%, as compared to 5.9%, 18.6%, 7.1% and 11.0%, respectively, for the same period of the prior year. Recent actions implemented and other process improvements being developed are designed to improve efficiencies, lower costs and improve gross margins. There can be no assurance that these actions

will improve gross margins. Furthermore, fluctuations in foreign currency exchange rates had an insignificant impact on gross margin for the nine months ended April 30, 2016.

In the Americas, the 7.8 percentage point decrease in gross margin, from 5.9% to -1.9%, resulted from a decline in revenues, partially offset by less significant decline in labor costs. In Asia, the 6.0 percentage point decrease, from 18.6% to 12.6% was primarily the result of unfavorable revenue mix and higher material costs, partially offset by a lower decline in labor costs. In Europe, the 4.3 percentage point decrease in gross margin, from 7.1% to 2.8%, resulted from a decline in revenues. The gross margin for e-Business was 0.5% for the nine months ended April 30, 2016 as compared to 11.0% for the same period of the prior year. This unfavorable decline of 10.5 percentage points was due to higher labor costs offset partially by the increase in revenues. Overall, lower revenue volumes, primarily in the Americas and in Europe, prevented the Company from fully leveraging its operating support structures.

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Selling, General and Administrative Expenses:

	Nine Months Ended April 30, 2016	As a % of Segment Net Revenue	Nine Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 9,053	10.8%	$ 10,223	6.1%	$ (1,170)	(11.4%)
Asia	15,027	11.4%	13,121	10.6%	1,906	14.5%
Europe	12,011	10.3%	10,764	8.6%	1,247	11.6%
e-Business	2,268	9.0%	1,620	6.5%	648	40.0%
Sub-total	38,359	10.7%	35,728	8.1%	2,631	7.4%
Corporate-level activity	5,155		8,872		(3,717)	(41.9%)
Total	$ 43,514	12.2%	$ 44,600	10.1%	$ (1,086)	(2.4%)

Selling, general and administrative expenses consist primarily of compensation and employee-related costs, sales commissions and incentive plans, information technology expenses, travel expenses, facilities costs, consulting fees, fees for professional services, depreciation expense and marketing expenses. Selling, general and administrative expenses during the nine months ended April 30, 2016 decreased by approximately $1.1 million compared to the nine-month period ended April 30, 2015, primarily as a result of reduced employee-related costs ($0.7 million) related to restructuring and a reduction in depreciation expense ($0.9 million), partially offset by higher professional fees ($1.1 million) primarily associated with outsourced services. Fluctuations in foreign currency exchange rates had an insignificant impact on selling, general and administrative expenses for the nine months ended April 30, 2016.

Amortization of Intangible Assets:

	Nine Months Ended April 30, 2016	As a % of Segment Net Revenue	Nine Months Ended April 30, 2015	As a % of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$	0.0%	$ 55	0.0%	$ (55)	(100.0%)
e-Business		0.0%	612	2.5%	(612)	(100.0%)
Total	$	0.0%	$ 667	0.2%	$ (667)	(100.0%)

The intangible asset amortization relates to certain amortizable intangible assets acquired by the Company in connection with its acquisitions. The intangible assets were fully amortized as of April 30, 2015.

Impairment of Long-Lived Assets:

During the nine months ended, April 30, 2016, the Company recorded an impairment charge of $0.3 million to adjust the carrying value of its building in Kildare, Ireland to its estimated fair value.

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Restructuring, net:

	Nine Months Ended April 30, 2016	As a % of Segment Net Revenue	Nine Months Ended April 30, 2015	As a% of Segment Net Revenue	$ Change	% Change
			(In thousands)			
Americas	$ 920	1.1%	$ 866	0.5%	$ 54	6.2%
Asia	489	0.4%	906	0.7%	(417)	(46.0%)
Europe	16	0.0%	3,164	2.5%	(3,148)	(99.5%)
e-Business	4	0.0%		0.0%	4	0.0%
Total	$ 1,429	0.4%	$ 4,936	1.1%	$ (3,507)	(71.0%)

The $1.4 million restructuring charge recorded during the nine months ended April 30, 2016 primarily consisted of $0.9 million and $0.5 million of employee-related costs in the Americas and Asia, respectively, related to the workforce reduction of 75 employees in our global supply chain operations.

The $4.9 million restructuring charge recorded during the nine months ended April 30, 2015 primarily consisted of approximately $0.8 million, $0.9 million, and $3.2 million of employee-related costs in the Americas, Asia and Europe, respectively, related to the workforce reduction of 228 employees in our global supply chain operations.

Interest Income/Expense:

During the nine months ended April 30, 2016 and 2015, interest income was $0.5 million and $0.7 million, respectively. The decrease in interest income is attributable to the disposition of the Trading Securities during the current and prior quarters.

During the nine months ended April 30, 2016 and 2015, interest expense totaled approximately $8.3 million and $7.9 million, respectively. During the current year, the interest expense primarily relates to the Company s issuance of $100 million of 5.25% Convertible Senior Notes during the third quarter of fiscal 2014.

Other Gains (Losses), net:

The Company recorded foreign exchange gains (losses) of approximately $(0.6) million and $2.3 million during the nine months ended April 30, 2016 and 2015, respectively. For the nine months ended April 30, 2016, the net gains primarily related to realized and unrealized losses from foreign currency exposures and settled transactions of approximately $0.5 million and $0.2 million in the Asia and Corporate, respectively, offset by net gains of $0.1 million in e-Business. For the nine months ended April 30, 2015, the net gains primarily related to realized and unrealized gains (losses) from foreign currency exposures and settled transactions of approximately $0.5 million, $0.4 million, $1.6 million and ($0.2 million) in the Americas, Asia, Europe and e-Business, respectively.

During the nine months ended April 30, 2016 and 2015, the Company recognized $(6.5) million and $5.7 million in net gains (losses) associated with its Trading Securities. During the nine months ended April 30, 2016 and 2015, the Company recognized $0.1 million and $(0.6) million, respectively, in net gains (losses) associated with short-term

foreign currency contracts. During the nine months ended April 30, 2016, the Company also recognized $1.0 million in net gains associated with the sale of assets.

Income Tax Expense:

During the nine months ended April 30, 2016, the Company recorded income tax expense of approximately $1.5 million. During the nine months ended April 30, 2015, the Company recorded income tax expense of approximately $2.4 million. For the nine months ended April 30, 2016 and 2015, the Company was profitable in certain jurisdictions where the Company operates, resulting in an income tax expense using the enacted tax rates in those jurisdictions. The reduction in income taxes was primarily driven by lower operating income.

The Company provides for income tax expense related to federal, state, and foreign income taxes. The Company continues to maintain a full valuation allowance against its deferred tax assets in the U.S. and certain of its foreign subsidiaries due to the uncertainty of realizing such benefits.

Liquidity and Capital Resources

Historically, the Company has financed its operations and met its capital requirements primarily through funds generated from operations, the sale of our securities and borrowings from lending institutions. As of April 30, 2016, the Company s primary sources of liquidity consisted of cash and cash equivalents of $149.6 million and Trading Securities of $16.9 million. As of April 30, 2016, the Company had approximately $26.5 million of cash and cash equivalents held outside of the U.S. Of this amount, approximately $10.8 million is considered permanently invested due to certain restrictions under local laws, and $15.7 million is not subject to permanent reinvestment. Due to the Company s U.S. net operating loss carryforward there is no U.S. tax payable upon repatriating the undistributed earnings of foreign subsidiaries considered not subject to permanent reinvestment. Foreign withholding taxes may range from 0% to 10% on any repatriated funds.

On June 30, 2014, two direct and wholly owned subsidiaries of the Company (the Borrowers) entered into a revolving credit and security agreement (the Credit Agreement), as borrowers and guarantors, with PNC Bank and National Association, as lender and as agent, respectively. The Credit Agreement has a five (5) year term which expires on June 30, 2019. It includes a maximum credit commitment of $50.0 million, is available for letters of credit (with a sublimit of $5.0 million) and has a $20.0 million uncommitted accordion feature. The actual maximum credit available under the Credit Agreement varies from time to time and is determined by calculating the applicable borrowing base, which is based upon applicable percentages of the values of eligible accounts receivable and eligible inventory minus reserves determined by the Agent (including other reserves that the Agent may establish from time to time in its permitted discretion), all as specified in the Credit Agreement. The Credit Agreement contains certain customary negative covenants, which include limitations on mergers and acquisitions, the sale of assets, liens, guarantees, investments, loans, capital expenditures, dividends, indebtedness, changes in the nature of business, transactions with affiliates, the creation of subsidiaries, changes in fiscal year and accounting practices, changes to governing documents, compliance with certain statutes, and prepayments of certain indebtedness. The Credit Agreement also contains certain customary affirmative covenants (including periodic reporting obligations) and events of default, including upon a change of control. The Credit Agreement requires compliance with certain financial covenants providing for maintenance of specified liquidity, maintenance of a minimum fixed charge coverage ratio and/or maintenance of a maximum leverage ratio following the occurrence of certain events and/or prior to taking certain actions. For greater clarity, if the undrawn availability, as more fully described in the Credit Agreement, is either equal to or less than $10.0 million, or the aggregate principal balance of the loans plus the undrawn amount of all letters of credit in each case outstanding on any date is equal to or greater than $30.0 million; then compliance with the minimum fixed charge coverage ratio is required. If triggered, the minimum fixed charge coverage ratio to be maintained, as of the end of each fiscal month, for the trailing period of twelve consecutive fiscal months then ended, would be not less than 1.0 to 1.0. As of April 30, 2016 and July 31, 2015, the Company did not have any balance outstanding on the PNC Bank credit facility.

On March 18, 2014, the Company entered into an indenture (the Indenture) with Wells Fargo Bank, National Association, as trustee (the Trustee), relating to the Company s issuance of $100 million of 5.25% Convertible Senior Notes (the Notes). The Notes bear interest at the rate of 5.25% per year, payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2014. The Notes will mature on March 1, 2019, unless earlier repurchased by the Company or converted by the holder in accordance with their terms prior to such maturity date. Holders of the Notes may convert all or any portion of their notes, in multiples of $1,000 principal amount, at their option at any time prior to the close of business or the business day immediately preceding the maturity date. Each $1,000 of principal of the Notes will initially be convertible into 166.2593 shares of our common stock, which is equivalent to an initial conversion price of approximately $6.01 per share, subject to adjustment upon the occurrence of certain events, or, if the Company obtains the required consent from its stockholders, into shares of the Company s common stock, cash or a combination of cash and shares of its common stock, at the Company s election. If the

Company has received stockholder approval, and it elects to settle conversions through the payment of cash or payment or delivery of a combination of cash and shares, the Company s conversion obligation will be based on the volume weighted average prices (VWAP) of its common stock for each VWAP trading day in a 40 VWAP trading day observation period. The Notes and any of the shares of common stock issuable upon conversion have not been registered. Holders will have the right to require the Company to repurchase their Notes, at a repurchase price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest, upon the occurrence of certain fundamental changes, subject to certain conditions. No fundamental changes occurred during the nine months ended April 30, 2016. The Company may not redeem the Notes prior to the mandatory date, and no sinking fund is provided for the Notes. The Company will have the right to elect to cause the mandatory conversion of the Notes in whole, and not in part, at any time on or after March 6, 2017, if the last reported sale price of its common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company notifies holders of its election to mandatorily convert the Notes, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company notifies holders of its election to mandatorily convert the notes. As of April 30, 2016 and July 31, 2015, the net carrying value of the Notes was $81.2 million and $77.9 million, respectively.

Consolidated working capital was $165.6 million at April 30, 2016, compared with $202.3 million at July 31, 2015. Included in working capital were cash and cash equivalents of $149.6 million at April 30, 2016 and $119.4 million at July 31, 2015.

Net cash used in operating activities was $22.3 million for the nine months ended April 30, 2016, as compared to net cash provided by operating activities of $51.3 million in the prior year period. The $73.6 million decrease in net cash provided by (used in) operating activities as compared with the same period in the prior year was primarily due to lower volumes from a major computing market client, a major consumer electronics client and an aftermarket services program related to the repair and refurbishment of mobile devices, partially offset by an increase in revenue from other clients in the consumer electronics industries.

During the nine months ended April 30, 2016, non-cash items within net cash provided by operating activities included depreciation expense of $5.8 million, amortization of deferred financing costs of $0.6 million, accretion of debt discount of $3.9 million, impairment of long-lived assets of $0.3 million, share-based compensation of $1.0 million, non-operating gains, net, of $5.8 million and gains of affiliates and impairment of $0.5 million. During the nine months ended April 30, 2015, non-cash items within net cash provided by operating activities included depreciation expense of $6.6 million, amortization of intangible assets of $0.7 million, amortization of deferred financing costs of $0.4 million, accretion of debt discount of $3.3 million, share-based compensation of $1.3 million, non-operating gains, net, of $6.8 million and gains of affiliates and impairment of $4.8 million.

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The Company believes that its cash flows related to operating activities of continuing operations 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. Our cash flows from operations are also dependent on several factors including the overall performance of the technology sector and the market for outsourcing services, as discussed above in the Overview section.

Investing activities provided (used) cash of $53.1 million and $(76.0) million during the nine months ended April 30, 2016 and 2015, respectively. The $53.1 million of cash provided in investing activities during the nine months ended April 30, 2016 was comprised of $57.1 million in proceeds from the sale of Trading Securities, $1.3 million in proceeds from the disposition of a property Europe, offset by $5.8 million in capital expenditures. The $76.0 million of cash used in investing activities during the nine months ended April 30, 2015 was comprised of $69.2 million in purchase of Trading Securities and $6.9 million in capital expenditures.

Financing activities used cash of $0.6 million during the nine months ended April 30, 2016 and primarily related to the purchase of $0.5 million in face-value of the Company s convertible Notes in the open market and payments on capital lease obligations. Cash flows used in financing activities of continuing operations during the nine months ended April 30, 2015 primarily related to the $4.5 million in net repayments for the Company s revolving line of credit.

The Company believes it has access to adequate resources to meet its needs for normal operating costs, capital expenditures, mandatory debt redemptions and working capital for its existing business for at least the next twelve months. These resources include cash and cash equivalents, Trading Securities, the PNC Credit Agreement noted above and cash, if any, provided by operating activities. In order to obtain funding for strategic initiatives, which may include capital expenditures, acquisitions, we may seek to raise additional funds through divestitures, public or private equity offerings, debt financings, or other means. In addition, as part of our strategic initiatives, our management may seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise if we believe that it is in our best interests. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Management is utilizing the following strategies to continue to enhance liquidity: (1) continuing to implement improvements throughout all of the Company s operations to increase sales and operating efficiencies, (2) supporting profitable revenue growth both internally and potentially through acquisitions and (3) evaluating from time to time and as appropriate, strategic alternatives with respect to its businesses and/or assets and capital raising opportunities. The Company continues to examine all of its options and strategies, including acquisitions, divestitures and other corporate transactions, to increase cash flow and stockholder value.

Off-Balance Sheet Arrangements

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

Contractual Obligations

A summary of the Company s contractual obligations is included in the Company s Annual Report on Form 10-K for the fiscal year ended July 31, 2015. The Company s contractual obligations and other commercial commitments did not change materially between July 31, 2015 and April 30, 2016. The Company s gross liability for unrecognized tax benefits and related accrued interest was approximately $1.2 million as of April 30, 2016. The Company is unable to reasonably estimate the amount or timing of payments for the liability.

From time to time, the Company agrees to indemnify its clients in the ordinary course of business. Typically, the Company agrees to indemnify its clients for losses caused by the Company. As of April 30, 2016, the Company had no recorded liabilities with respect to these arrangements.

Critical Accounting Policies

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 U.S. 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. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, inventory, restructuring, share-based compensation expense and long-lived assets, investments, and income

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taxes. Of the accounting estimates we routinely make relating to our critical accounting policies, those estimates made in the process of: determining the valuation of inventory and related reserves; determining future lease assumptions related to restructured facility lease obligations; measuring share-based compensation expense; preparing investment valuations; 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. However, because these estimates inherently involve judgments and uncertainties, there can be no assurance that actual results will not differ materially from those estimates.

During the three months ended April 30, 2016, we believe that there have been no significant changes to the items that we disclosed as our critical accounting policies and estimates in the Critical Accounting Policies section of Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended July 31, 2015.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to the impact of interest rate changes, foreign currency exchange rate fluctuations and changes in the market values of its investments. The carrying values of financial instruments including cash and cash equivalents, trading securities, accounts receivable, accounts payable and the revolving line of credit, approximate fair value because of the short-term nature of these instruments. The carrying value of capital lease obligations approximates fair value, as estimated by using discounted future cash flows based on the Company s current incremental borrowing rates for similar types of borrowing arrangements.

Interest Rate Risk

As of April 30, 2016 and July 31, 2015, the Company did not have any outstanding indebtedness related to the PNC Bank credit facility.

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

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

Investment Risk

We are exposed to changes in stock prices primarily as a result of our significant holdings in publicly traded securities. We continually monitor changes in stock markets, in general, and changes in the stock prices of our holdings, specifically. We believe that changes in stock prices can be expected to vary as a result of general market conditions, technological changes, specific industry changes and other factors. As of April 30, 2016, the Company had $16.9 million in investments in Trading Securities. Had the market price of such securities been 10% lower at April 30, 2016, the aggregate value of such securities may have been $1.7 million lower.

Foreign Currency Risk

The Company has operations in various countries and currencies throughout the world and its operating results and financial position are subject to exposure from fluctuations in foreign currency exchange rates. From time to time, the Company has used derivative financial instruments on a limited basis, principally foreign currency exchange rate contracts, to minimize the transaction exposure that results from such fluctuations.

During the quarter ended April 30, 2016, the Company entered into foreign currency forward contracts to manage the foreign currency risk associated with anticipated foreign currency denominated transactions. As of April 30, 2016 and 2015, the aggregate notional amount of the Company s outstanding foreign currency forward contracts was $3.7 million and $9.9 million, respectively. As of April 30, 2016, the fair value of the Company s short-term foreign currency contracts was $0.1 million and is included in other current liabilities. These contracts are designed to hedge the Company s exposure to transactions denominated in a non-functional currency and are not accounted for as hedges under the accounting standards. Accordingly, changes in the fair value of these instruments are recognized in earnings during the period of change as a component of Other Gains (Losses), Net. The contracts were classified within Level 2 of the fair value hierarchy. During the nine months ended April 30, 2016 and 2015, the Company recognized $0.1 million and $(0.6) million in net gains (losses) associated with these contracts, respectively.

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Revenues from our foreign operating segments accounted for approximately 69.4% and 56.4% of total revenues during the nine months ended April 30, 2016 and 2015, respectively. A portion of our international sales made by our foreign business units in their respective countries is denominated in the local currency of each country. These business units also incur a portion of their expenses in the local currency.

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

The conversion of the foreign subsidiaries financial statements into U.S. dollars will lead to a translation gain or loss which is recorded as a component of other comprehensive income (loss). For the three months ended April 30, 2016 and 2015, we recorded a foreign currency translation gain of approximately $1.9 million and $0.5 million, respectively. For the nine months ended April 30, 2016 and 2015, we recorded a foreign currency translation gain (loss) of approximately $0.0 million and $(6.7) million, respectively, which is recorded within accumulated other comprehensive income in stockholders equity in our condensed consolidated balance sheet. In addition, certain of our subsidiaries have assets and liabilities that are denominated in currencies other than the relevant entity s functional currency. Changes in the relative exchange rates between the currencies result in remeasurement gains or losses at each balance sheet date and transaction gains or losses upon settlement. For the nine months ended April 30, 2016 and 2015, we recorded net realized and unrealized foreign currency transaction and remeasurement gains (losses) of approximately $(0.6) million and $2.3 million, respectively, which are recorded in Other gains (losses), net in our condensed consolidated statements of operations.

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

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

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

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended April 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On February 15, 2012, the staff of the Division of Enforcement of the SEC initiated with the Company an informal inquiry, and later a formal action, regarding the Company s treatment of rebates associated with volume discounts provided by vendors. On March 15, 2016, the SEC approved and filed a settlement with the Company of that previously reported formal action commenced as an inquiry in 2012. The Company did not admit or deny liability as a condition of the settlement. The settlement was filed as an

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administrative proceeding and is based on non-scienter violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act, annual and quarterly reports violations of Section 13(a) of the Exchange Act and associated Rules 13a-1, 13a-13, and 12b-20, and books and records and internal controls violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. The Company paid $1.6 million in connection with the settlement, which amount had been previously recorded as a charge during the year ended July 31, 2015.

On June 8, 2015, Sean Peters, a former employee filed a complaint (the Complaint) against ModusLink Corporation in Superior Court of California asserting claims, among other things, for failure to pay wages, breach of contract, wrongful retaliation and termination, fraud, violations of California Business and Professions Code Section 17200, et seq., and civil penalties pursuant to California Labor Code Sections and pursuant to the California Private Attorney General Act, seeking over $1 million in damages, attorneys fees and costs and penalties. ModusLink filed an Answer to the Complaint making a general denial and asserting various affirmative defenses. The parties are currently engaged in discovery. Although there can be no assurance as to the ultimate outcome, ModusLink believes it has meritorious defenses and intends to defend the allegations vigorously.

Item 1A. Risk Factors.

There have not been any material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors in our Annual Report on Form 10-K for the year ended July 31, 2015. In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors discussed in our Annual Report, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially and adversely affect our business, financial condition and/or operating results.

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

The following table provides information about purchases by the Company of its common stock during the quarter ended April 30, 2016:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
February 1, 2016 February 29, 2016		$		$
March 1, 2016 March 31, 2016	26,704 (1)	1.86		
April 1, 2016 April 30, 2016		$		

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

Item 6. Exhibits.

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

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SIGNATURE

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

MODUSLINK GLOBAL SOLUTIONS, INC.

Date: June 9, 2016

By: /S/ JOSEPH B. SHERK

JOSEPH B. SHERK

Principal Financial Officer

and Principal Accounting Officer

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EXHIBIT INDEX

10.1	Offer Letter, dated April 13, 2016, by and among ModusLink Global Solutions, Inc., ModusLink Corporation and James R. Henderson, incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K/A filed April 18, 2016.
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1±	Certification of the Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2±	Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Unaudited Condensed Consolidated Balance Sheets as of April 30, 2016 and July 31, 2015, (ii) Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months ended April 30, 2016 and 2015, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months ended April 30, 2016 and 2015 (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months ended April 30, 2016 and 2015 and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed herewith.
± Furnished herewith.