

ModusLink Global Solutions Inc
Form DEFA14A
December 06, 2013

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

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ModusLink Global Solutions, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

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- .. Fee paid previously with preliminary materials.
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 - (6) Amount Previously Paid:

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 - (8) Filing Party:

(9) Date Filed:

**OUR ANNUAL MEETING IS RAPIDLY APPROACHING AND
YOUR VOTE HAS NOT BEEN RECEIVED!**

December 6, 2013

Dear Stockholder:

Our records indicate that you have not yet voted your shares for our 2013 annual meeting of stockholders, which is only days away. **Whether or not you plan to attend the meeting, we urge you to cast your vote using the enclosed proxy today.**

At the annual meeting, you are being asked to elect one director, approve a company sponsored proposal to declassify the Board of Directors and approve an advisory vote on executive pay. **The Board of Directors recommends that all ModusLink stockholders vote FOR the director up for election and FOR the declassification of the Board and FOR the advisory vote on executive compensation.**

We believe that, Proposal 2, declassification of the Board of Directors, is good corporate governance. The Board recognizes the growing sentiment among shareholders in favor of annual elections and acknowledges the affirmative vote by 51.5 percent of the company's stockholders at the 2012 annual meeting to declassify the board. Although this constituted the affirmative vote of over 98 percent of votes cast, the proposal did not meet the required threshold and was not approved as a result. After careful consideration, the board determined that it is appropriate to propose declassifying the board. **This proposal requires a FOR vote from 75% of the outstanding shares. Therefore your vote is crucial, no matter how few or how many shares you may own.**

ISS, the independent proxy advisory firm also recommends a vote FOR declassification of the Board and stated in their recent report.

The ability to elect directors is the single most important use of the shareholder franchise. ISS believes that all directors should be accountable on an annual basis. A classified board can entrench management and effectively precludes most takeover bids or proxy contests. The proposed declassification enhances board accountability to shareholders and demonstrates a commitment to shareholders' interests on the part of management. Therefore, support for this proposal is warranted.

The Board also recommends a **FOR** vote for the advisory vote on executive compensation.

The Board believes that our executive compensation program aligns with our short and long-term business goals, with a significant portion of compensation at risk and directly linked to our overall performance. As such, we believe our executive compensation properly aligns the interests of our executives with the interests of our stockholders.

ISS also stated in its recent report recommending a FOR vote on executive compensation.

A vote FOR this proposal is warranted, as the increase in CEO compensation is attributable to the hiring of a new CEO whose first year compensation does not raise significant concerns at this time. The magnitude of the new CEO's awards is not excessive, equity awards are double-triggered and will not accelerate upon a termination without cause scenario, which reduces the risk of pay-for-failure event

PLEASE VOTE TODAY!

Enclosed is a duplicate proxy card for your use. We ask that you vote, sign and return your proxy card today. You may also vote via telephone or the internet by following the instructions on the enclosed proxy card.

We hope that we can count on your support for all proposals. If you have any questions, or need assistance in voting your shares, we encourage you to call our proxy solicitor, MacKenzie Partners, Inc., at (800) 322-2885.

Thank you in advance for your support.

Sincerely,

/s/ Warren G. Lichtenstein
Warren G. Lichtenstein
Chairman of the Board

held by the Trustee, property tax and Texas franchise tax, on or about 60 days following the completion of each quarter. The Trust's subordinated units are entitled to receive pro rata distributions from the Trust each quarter if and to the extent there is sufficient cash to provide a cash distribution on the common units that is at least equal to the Subordination Threshold. If there is not sufficient cash to fund such a distribution on all of the common units (including the common units SandRidge owns), the distribution to be made with respect to the subordinated units is reduced or eliminated for such quarter in order to make a distribution, to the extent possible, to all of the common units (including the common units held by

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SandRidge) up to the Subordination Threshold. However, there is no minimum distribution. If the cash available for distribution on all of the Trust units in any quarter exceeds the Incentive Threshold for the corresponding quarter, SandRidge, as holder of the Trust's subordinated units, is entitled to 50% of the amount by which the cash available for distribution exceeds the Incentive Threshold.

The following table sets forth the Subordination Threshold and Incentive Threshold for each remaining calendar quarter through the first quarter of 2017, as set out in the trust agreement.

Period(1)	Subordination Threshold(2)	Incentive Threshold(2)
2012		
Third quarter	\$ 0.47	\$ 0.70
Fourth quarter	0.49	0.74
2013		
First quarter	0.51	0.77
Second quarter	0.53	0.80
Third quarter	0.56	0.84
Fourth quarter	0.58	0.87
2014		
First quarter	0.61	0.91
Second quarter	0.63	0.95
Third quarter	0.65	0.98
Fourth quarter	0.66	0.98
2015		
First quarter	0.64	0.96
Second quarter	0.61	0.92
Third quarter	0.56	0.85
Fourth quarter	0.54	0.81
2016		
First quarter	0.53	0.80
Second quarter	0.52	0.78
Third quarter	0.51	0.77
Fourth quarter	0.50	0.75
2017		
First quarter	0.49	0.74

(1) Due to the timing of the payment of production proceeds to the Trust, each distribution covers production from a three-month period consisting of the first two months of the most recently ended quarter and the final month of the quarter preceding it.

(2) Each of the Subordination Threshold (80% of quarterly target distribution) and Incentive Threshold (120% of quarterly target distribution) terminates after the fourth full calendar quarter following SandRidge's completion of its drilling obligation.

Pursuant to Internal Revenue Code Section 1446, withholding tax on income effectively connected to a United States trade or business allocated to foreign partners should be made at the highest marginal rate. Under Section 1441, withholding tax on fixed, determinable, annual, periodic income from United States sources allocated to foreign partners should be made at 30% of gross income unless the rate is reduced by treaty. This is intended to be a qualified notice to nominees and brokers as provided for under Treasury Regulation Section 1.1446-4(b) by the Trust, and while specific relief is not specified for Section 1441 income, this disclosure is intended to suffice. Nominees and brokers should withhold 35% of the distribution made to foreign partners.

Results of Trust Operations

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The primary factors affecting the Trust's revenues and costs are the quantity of oil and natural gas production attributable to the Royalty Interests, the prices received for such production and amounts paid or received as net settlements under the derivatives agreement and the Trust's derivative contracts with unaffiliated third parties. Royalty income, post-production expenses, certain taxes and derivative settlements are recorded on a cash basis when net revenue distributions are received by the Trust from SandRidge and net derivative settlements are received from the Trust's derivative counterparty. Although the Trust was formed on May 12, 2011, the conveyance of the Royalty Interests did not occur until August 2011 and no proceeds from the sale of oil and natural gas production

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were received by the Trust until November 2011. As a result, the Trust did not recognize any income or make any distributions until November 2011. Information regarding the Trust's production, pricing and costs for the three and nine-month periods ended September 30, 2012 is presented below.

	Three Months Ended September 30, 2012(1)	Nine Months Ended September 30, 2012(2)
Production Data		
Oil (MBbls)(3)	369	1,058
Natural gas (MMcf)	104	280
Combined equivalent volumes (MBoe)	386	1,105
Average daily combined equivalent volumes (MBoe/d)	4.2	4.0
Average Prices		
Oil (per Bbl)(3)	\$ 89.44	\$ 88.90
Natural gas (per Mcf)	\$ 1.73	\$ 2.33
Combined equivalent (per Boe)	\$ 85.91	\$ 85.74
Average Prices including impact of derivative settlements and post-production expenses		
Oil (per Bbl)(3)(4)	\$ 90.00	\$ 91.68
Natural gas (per Mcf)	\$ 1.49	\$ 2.01
Combined equivalent (per Boe)	\$ 86.37	\$ 88.32
Expenses (per Boe)		
Post-production	\$ 0.06	\$ 0.08
Production taxes	\$ 4.07	\$ 4.09
Total expenses	\$ 4.13	\$ 4.17

- (1) Oil and natural gas volumes and related revenues and expenses for the three-month period ended September 30, 2012 (included in SandRidge's August 2012 net revenue distribution to the Trust) represent oil and natural gas production from March 1, 2012 to May 31, 2012.
- (2) Oil and natural gas volumes and related revenues and expenses for the nine-month period ended September 30, 2012 (included in SandRidge's February 2012, May 2012 and August 2012 net revenue distributions to the Trust) represent oil and natural gas production from September 1, 2011 to May 31, 2012.
- (3) Includes natural gas liquids.
- (4) Includes impact of derivative settlements attributable to production from March 1, 2012 to May 31, 2012 for the three-month period ended September 30, 2012 and from September 1, 2011 to May 31, 2012 for the nine-month period ended September 30, 2012.

Trust Operations for the Three Months Ended September 30, 2012

Royalty Income. Royalty income received during the three-month period ended September 30, 2012 totaled \$33.2 million. This was based upon production attributable to the Royalty Interests of 369 MBbls of oil and 104 MMcf of natural gas for the period from March 1, 2012 to May 31, 2012. Average prices received for oil and natural gas production, excluding the impact of derivative settlements and post-production expenses, during the three-month period ended September 30, 2012 were \$89.44 per Bbl of oil and \$1.73 per Mcf of natural gas.

Derivative Settlements. The Trust's derivatives agreement with SandRidge reduces the Trust's exposure to commodity price volatility attributable to a portion of production from the Royalty Interests through March 31, 2015 through the use of oil fixed price swaps. Net cash settlements received related to the Trust's derivatives during the three-month period ended September 30, 2012 were approximately \$1.9 million, and included net settlements received of approximately \$0.4 million related to production from March 1, 2012 to May 31, 2012 and net settlements received of approximately \$1.5 million related to June 2012 production. Total net derivative settlements received by the Trust for production from March 1, 2012 to May 31, 2012, including \$0.2 million paid in April 2012, were \$0.2 million, which effectively increased the average price received for oil production for the related period by \$0.56 per Bbl to \$90.00 per Bbl.

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Post-Production Expenses. The Trust bears post-production expenses attributable to production from the Royalty Interests. Post-production expenses generally consist of costs incurred to gather, store, compress, transport, process, treat, dehydrate and market the oil and natural gas produced. Post-production expenses for the three-month period ended September 30, 2012 totaled approximately \$25,000.

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Production Taxes. Production taxes are calculated as a percentage of oil and natural gas revenues, excluding the effects of derivative settlements and net of any applicable tax credits. Production taxes for the three-month period ended September 30, 2012 totaled approximately \$1.6 million, or \$4.07 per Boe, and were approximately 4.7% of royalty income.

Distributable Income. Distributable income for the three-month period ended September 30, 2012 was \$31.8 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately \$1.4 million (approximately \$1.7 million withheld from the August 2012 cash distribution to unitholders less approximately \$0.3 million used to pay Trust expenses during the period).

Trust Operations for the Nine Months Ended September 30, 2012

Royalty Income. Royalty income received during the nine-month period ended September 30, 2012 totaled \$94.7 million. This was based upon production attributable to the Royalty Interests of 1,058 MBbls of oil and 280 MMcf of natural gas for the period from September 1, 2011 to May 31, 2012. Average prices received for oil and natural gas production, excluding the impact of derivative settlements and post-production expenses, during the nine-month period ended September 30, 2012 were \$88.90 per Bbl of oil and \$2.33 per Mcf of natural gas.

Derivative Settlements. Net cash settlements received related to the Trust's derivatives during the nine-month period ended September 30, 2012 were approximately \$3.7 million and included net settlements received of approximately \$2.2 million related to production from September 1, 2011 to May 31, 2012 and net settlements received of approximately \$1.5 million related to June 2012 production. Total net derivative settlements received by the Trust for production from September 1, 2011 to May 31, 2012 were \$2.9 million, including \$0.7 million received in 2011, and effectively increased the average price received for oil production for the related period by \$2.78 per Bbl to \$91.68 per Bbl.

Post-Production Expenses. Post-production expenses for the nine-month period ended September 30, 2012 totaled approximately \$90,000.

Production Taxes. Production taxes for the nine-month period ended September 30, 2012 totaled approximately \$4.5 million, or \$4.09 per Boe, and were approximately 4.8% of royalty income.

Property Taxes. The Trust paid its property tax for the period ended December 31, 2011 of approximately \$0.2 million during the nine-month period ended September 30, 2012.

Texas Franchise Tax. The Trust paid its Texas franchise tax for the period ended December 31, 2011 of approximately \$0.2 million during the nine-month period ended September 30, 2012.

Distributable Income. Distributable income for the nine-month period ended September 30, 2012 was \$90.6 million, which included a net addition to the cash reserve for payment of future Trust expenses of approximately \$1.8 million (approximately \$3.3 million withheld from the February 2012, May 2012 and August 2012 cash distributions to unitholders less approximately \$1.5 million used to pay Trust expenses during the period).

Liquidity and Capital Resources

The Trust's principal sources of liquidity and capital are cash flow generated from the Royalty Interests, derivative contracts, and borrowings to fund administrative expenses, including any amounts borrowed under SandRidge's loan commitment described in Note 4 to the unaudited financial statements contained in Part I, Item I of this Quarterly Report. The Trust's primary uses of cash are distributions to Trust unitholders, including, if applicable, incentive distributions to SandRidge, payment of amounts owed under the Trust's derivative contracts, payment of Trust administrative expenses, including any reserves established by the Trustee for future liabilities, payment of applicable taxes and payment of expense reimbursements to SandRidge for out-of-pocket expenses incurred on behalf of the Trust. Under the conveyances granting the Royalty Interests, the Trust does not have any capital requirements related to drilling wells or any other operating and capital costs related to the wells.

Administrative expenses include payments to the Trustee and the Delaware Trustee as well as a quarterly fee to SandRidge pursuant to an administrative services agreement. Each quarter, the Trustee determines the amount of funds available for distribution. Available funds are the excess cash, if any, received by the Trust from the sale of oil and natural gas production attributable to the Royalty Interests for the quarter, over the Trust's expenses for the quarter, subject in all cases to the subordination and incentive

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provisions previously described. If at any time the Trust's cash on hand (including available cash reserves) is not sufficient to pay the Trust's ordinary course administrative expenses as they become due, the Trust may borrow funds from the Trustee or other lenders, including SandRidge, to pay such expenses. If such funds are borrowed, no further distributions will be made to unitholders (except in respect of any previously determined quarterly distribution amount) until the borrowed funds have been repaid, except that if SandRidge loans such funds, SandRidge may permit the Trust to make distributions prior to SandRidge being repaid. There was no such loan outstanding at September 30, 2012 or December 31, 2011.

Under the derivatives agreement, SandRidge pays the Trust amounts it receives from its counterparty and the Trust pays SandRidge any amounts that SandRidge is required to pay such counterparty. Additionally, the Trust receives payment directly from its counterparty to the contracts novated to the Trust by SandRidge and is required to pay any amounts owed under those contracts directly to the counterparty. Significant payments by the Trust to SandRidge or the counterparty to the novated contracts could reduce or eliminate distributions paid to unitholders.

2012 Trust Distributions to Unitholders. During the nine-month period ended September 30, 2012, the Trust's distributions to unitholders were as follows:

	Covered Production Period	Date Declared	Date Paid	Total Distribution Paid (in millions)
Calendar Quarter 2012				
	September 1			
First Quarter	November 30, 2011 December 1, 2011	February 2, 2012	February 29, 2012	\$ 29.1
Second Quarter	February 29, 2012 March 1, 2012	April 30, 2012	May 30, 2012	\$ 30.5
Third Quarter	May 31, 2012	July 26, 2012	August 29, 2012	\$ 30.1

Future Trust Distributions to Unitholders. On November 1, 2012, the Trust declared a cash distribution of \$0.625203 per unit covering production for the period from June 1, 2012 to August 31, 2012 for record holders as of November 14, 2012. The distribution will be paid on or about November 29, 2012 and was calculated as follows (in thousands, except for unit and per unit amounts):

Revenues				
Royalty income				\$ 31,731
Derivative settlements, net				4,093
Total revenues				35,824
Expenses				
Post-production expenses				28
Production taxes				1,492
Cash reserves withheld by Trustee(1)				1,481
Total expenses				3,001
Distributable income available to unitholders				\$ 32,823
Distributable income per unit (52,500,000 units issued and outstanding)				\$ 0.625203

(1) Includes amounts withheld for payment of future Trust administrative expenses.

ITEM 3. *Quantitative and Qualitative Disclosures about Market Risk*

This discussion provides information about commodity derivative contracts, certain benefits and obligations of which SandRidge has passed to the Trust pursuant to a derivatives agreement effective August 1, 2011. Under the derivatives agreement, SandRidge pays the Trust amounts it receives from its counterparty under certain of its derivative contracts with a third party, and the Trust pays SandRidge any amounts that SandRidge is required to pay its counterparty under such derivative contracts. Substantially concurrent with the execution of the derivatives agreement and again in April 2012, SandRidge novated certain of the derivative contracts underlying the derivatives agreement to the Trust. As a party to these contracts, the Trust receives payment directly from the counterparty, and is required to pay any amounts owed directly to the counterparty. To secure its obligations under these novated contracts, the Trust entered into a collateral agency agreement and has granted the counterparty a lien on the Royalty Interests. Under the collateral agency agreement, the Trust pays a \$15,000 annual fee to the collateral agent. Under the derivatives agreement, as Trust Development Wells are drilled, SandRidge has the right, under certain circumstances, to assign or novate to the Trust additional derivative contracts. The commodity derivative contracts underlying the derivatives agreement are settled in cash and do not require the actual delivery of a commodity at settlement. Fixed price swap contracts are settled based upon New York Mercantile Exchange

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prices. The contracts underlying the derivatives agreement cover a portion of the anticipated future sales volumes of oil production from the Initial Wells as well as a portion of the anticipated future production from the Trust Development Wells through March 31, 2015. See Note 5 to the unaudited financial statements contained in Part I, Item I of this Quarterly Report for notional and price information of the Trust's open oil derivative contracts. The Trust received net settlement proceeds of approximately \$1.9 million and \$3.7 million related to the derivatives agreement during the three and nine-month periods ended September 30, 2012, respectively.

Commodity Price Risk. Because the Trust's primary asset and source of income is the Royalty Interests, which generally entitles the Trust to receive a portion of the net proceeds from sales of oil and natural gas production from the Underlying Properties, the Trust's most significant market risk relates to the prices received for oil and natural gas production. The derivative contracts described above are intended to mitigate a portion of the variability of oil prices received for the Trust's share of production from the Underlying Properties.

Credit Risk. A portion of the Trust's liquidity is concentrated in the derivative contracts described above. The use of derivative contracts, including the arrangement between the Trust and SandRidge, involves the risk that SandRidge or its counterparty or the Trust's unaffiliated counterparty will be unable to meet their obligations under the contracts. The Trust's counterparty under the derivatives agreement is SandRidge, whose sole current counterparty is an institution with a corporate credit rating equal to or better than an investment grade credit rating. The sole current counterparty to the derivative contracts novated by SandRidge to the Trust is also an institution with a corporate credit rating of an investment grade credit rating. SandRidge is not required to pay the Trust to the extent of payment defaults by SandRidge's counterparty.

ITEM 4. Controls and Procedures

The Trustee conducted an evaluation of the Trust's disclosure controls and procedures, as defined in Rules 13a-15 and 15d-15 under the Securities Act, designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Based on this evaluation, the Trustee has concluded that the disclosure controls and procedures of the Trust are effective as of the end of the period covered by this report. In its evaluation of disclosure controls and procedures, the Trustee has relied, to the extent considered reasonable, on information provided by SandRidge.

Due to the nature of the Trust as a passive entity and in light of the contractual arrangements pursuant to which the Trust was created, including the provisions of (i) the trust agreement, (ii) the administrative services agreement, (iii) the development agreement and (iv) the conveyances granting the Royalty Interests, the Trustee's disclosure controls and procedures related to the Trust necessarily rely on (A) information provided by SandRidge, including information relating to results of operations, the status of drilling of the Trust Development Wells, the costs and revenues attributable to the Trust's interests under the conveyance and other operating and historical data, plans for future operating and capital expenditures, reserve information, information relating to projected production, and other information relating to the status and results of operations of the Underlying Properties and the Royalty Interests, and (B) conclusions and reports regarding reserves by the Trust's independent reserve engineers.

There were no changes in the Trust's internal control over financial reporting during the quarter ended September 30, 2012, that have materially affected, or are reasonably likely to materially affect, the Trustee's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, has not evaluated and makes no statement concerning, the internal control over financial reporting of SandRidge.

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PART II. Other Information

ITEM 1A. Risk Factors

Risk factors relating to the Trust are contained in Item 1A of the Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. No material change to such risk factors has occurred during the nine-month period ended September 30, 2012.

ITEM 6. Exhibits

See the Exhibit Index accompanying this Quarterly 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.

SANDRIDGE PERMIAN TRUST

By: THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A, Trustee

By: /s/ Michael J. Ulrich
Michael J. Ulrich

Vice President

Date: November 13, 2012

The registrant, SandRidge Permian Trust, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available, and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that any such function exists pursuant to the terms of the trust agreement under which it serves.

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Exhibit No.	Exhibit Description	Form	Incorporated by Reference			Filed Herewith
			SEC File No.	Exhibit	Filing Date	
3.1	Certificate of Trust of SandRidge Permian Trust	S-1	333-174492	3.1	05/25/2011	
3.2	Amended and Restated Trust Agreement of SandRidge Permian Trust, dated August 16, 2011, by and among SandRidge Energy, Inc., The Bank of New York Mellon Trust Company, N.A., and The Corporation Trust Company	8-K	001-35274	4.1	08/19/2011	
3.3	Amendment No. 1 to Amended and Restated Trust Agreement of SandRidge Permian Trust, dated June 18, 2012, by the Bank of New York Mellon Trust Company, N.A.	8-K	001-35274	3.3	08/13/2012	
10.1	Novation Agreement dated April 12, 2012 by and among SandRidge Permian Trust, SandRidge Energy, Inc., and Morgan Stanley Capital Group Inc	8-K	001-35274	10.1	04/13/2012	
31.1	Section 302 Certification					*
32.1	Section 906 Certification					*