

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 8, 2021

Steel Connect, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-35319
(Commission File Number)

04-2921333
(IRS Employer Identification No.)

2000 Midway Lane, Smyrna, Tennessee
(Address of principal executive offices)

37167
(Zip Code)

Registrant's telephone number, including area code: **(914) 461-1276**

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	STCN	Nasdaq Capital Market
Rights to Purchase Series D Junior Participating Preferred Stock	--	Nasdaq Capital Market

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

Emerging growth company

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

Item 1.01 Entry into a Material Definitive Agreement.

Item 3.03 below is incorporated herein by reference.

Item 3.03 Material Modification to Rights of Security Holders.

On January 8, 2021, Steel Connect, Inc. (the “**Company**”) amended its Tax Benefits Preservation Plan (the “**Plan**”), dated as of January 19, 2018, between the Company and American Stock Transfer & Trust Company, LLC, as rights agent, to extend the term of the Plan to January 8, 2024. The amended Plan may also expire earlier, immediately following the certification of votes of the Company’s next annual meeting of stockholders (which shall be no later than January 8, 2022), unless the amended Plan is then approved by the requisite vote of stockholders, or on such other date as described in the amended Plan.

The purpose of the Plan, as amended, continues to be to protect stockholder value by preserving the Company’s ability to use its tax net operating losses and certain other tax assets (“**Tax Benefits**”) to offset potential future taxable income and reduce federal income tax liability. The Company’s ability to use its Tax Benefits may be significantly limited if it experiences an “ownership change” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the “**Code**”). Under Section 382 of the Code, an “ownership change” occurs if one or more stockholders or groups of stockholders that is each deemed to own at least 5% of a company’s stock increases its aggregate ownership by more than 50 percentage points over its lowest ownership percentage within a rolling three-year period. Changes in both direct and indirect ownership are taken into account for purposes of Section 382. The Plan is intended to reduce the likelihood of an “ownership change” under Section 382 of the Code by deterring any person or group from acquiring beneficial ownership of 4.99% or more of the Company’s outstanding common stock.

A summary of the terms of the Plan can be found in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2018.

The Company expects to submit the extension of the Plan to stockholders for approval at its 2020 Annual Meeting of Stockholders.

The foregoing summary of the terms of the amendment to the Plan does not purport to be complete and is qualified in its entirety by the full text of the Plan and the amendment, copies of which are filed as Exhibits 4.1 and 4.2 hereto, respectively, and are incorporated herein by reference.

Item 8.01 Other Events.

On January 8, 2021, the Company issued a press release announcing amendment of the Plan. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

**Exhibit
Number**

Description

- | | |
|------|---|
| 4.1 | <u>Tax Benefits Preservation Plan, dated as of January 19, 2018, by and between Company and American Stock Transfer & Trust Company, LLC, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's current report on Form 8-K filed on January 19, 2018).</u> |
| 4.2 | <u>Amendment to Tax Benefits Preservation Plan, dated as of January 8, 2021, by and between Company and American Stock Transfer & Trust Company, LLC, as Rights Agent.</u> |
| 99.1 | <u>Press Release of Steel Connect, Inc. dated January 8, 2021.</u> |

SIGNATURES

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

Date: January 8, 2021

STEEL CONNECT, INC.

By: _____ /s/ Douglas B. Woodworth

Name: Douglas B. Woodworth

Title: Chief Financial Officer

AMENDMENT TO TAX BENEFITS PRESERVATION PLAN, dated as of January 8, 2021 (“**Amendment**”), by and between Steel Connect, Inc., a Delaware corporation (the “**Company**”), and American Stock Transfer & Trust Company, LLC, a New York limited liability trust company (the “**Rights Agent**”).

WHEREAS, the Company and the Rights Agent are parties to that certain Tax Benefits Preservation Plan, dated as of January 19, 2018 (the “**Plan**” or “**Agreement**”), which expires on January 18, 2021, unless the Rights (as defined therein) have been earlier redeemed or exchanged or the Board (as defined therein) has determined that the Plan is no longer necessary or desirable for the preservation of Tax Benefits (as defined therein);

WHEREAS, the Company has delivered to the Rights Agent a certificate from an appropriate officer of the Company stating that this Amendment complies with Section 27 of the Plan; and

WHEREAS, the Company and the Rights Agent desire to amend the Plan to extend the term thereof as further described herein.

NOW, THEREFORE, the parties hereto hereby agree as follows:

1. Section 1(y) of the Plan shall be amended and restated in its entirety as follows:

“Final Expiration Date’ shall mean (i) 11:59 p.m., New York City time, on the date that the votes of the stockholders of the Company, with respect to the Company’s next annual meeting of stockholders are certified (which date and time shall be in no event later than 11:59 P.M., New York City time, on January 8, 2022), unless the continuation of the Agreement is approved by the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy and actually voted at such meeting of stockholders (or any adjournment or postponement thereof) duly held in accordance with the Company’s Fourth Amended and Restated Bylaws and applicable law (in which case clause (ii) will govern); or (ii) 11:59 p.m., New York City time, on January 8, 2024.”

2. Section 1(z) of the Plan shall be amended and restated in its entirety as follows:

“NASDAQ’ means The Nasdaq Global Select Market, The Nasdaq Global Market, The Nasdaq Capital Market or any similar trading market of The Nasdaq Stock Market LLC.”

3. The first sentence of the first full paragraph of the Form of Rights Certificate, which is attached as Exhibit B to the Plan, shall be amended and restated in its entirety as follows:

“NOT EXERCISABLE AFTER THE EARLIER OF (I) 11:59 P.M., NEW YORK CITY TIME, ON THE DATE THAT THE VOTES OF THE STOCKHOLDERS OF THE COMPANY, WITH RESPECT TO THE COMPANY’S NEXT ANNUAL MEETING OF STOCKHOLDERS ARE CERTIFIED (WHICH

DATE AND TIME SHALL BE IN NO EVENT LATER THAN 11:59 P.M., NEW YORK CITY TIME, ON JANUARY 8, 2022), UNLESS THE CONTINUATION OF THE AGREEMENT IS APPROVED BY THE AFFIRMATIVE VOTE OF THE MAJORITY OF SHARES OF COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ACTUALLY VOTED AT SUCH MEETING OF STOCKHOLDERS (OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF) DULY HELD IN ACCORDANCE WITH THE COMPANY'S FOURTH AMENDED AND RESTATED BYLAWS AND APPLICABLE LAW (IN WHICH CASE CLAUSE (II) WILL GOVERN); (II) 11:59 P.M., NEW YORK CITY TIME, ON JANUARY 8, 2024; AND (III) SUCH TIME AS THE RIGHTS ARE EARLIER REDEEMED, EXCHANGED OR TERMINATED OR SUCH OTHER EARLIER EXPIRATION DATE (AS DEFINED IN THE TAX BENEFITS PRESERVATION PLAN).”

4. The first sentence of the second full paragraph of the Form of Rights Certificate, which is attached as Exhibit B to the Plan, shall be amended and restated in its entirety as follows:

“This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Tax Benefits Preservation Plan, dated as of January 19, 2018, between Steel Connect, Inc., a Delaware corporation (the “Company”) and American Stock Transfer & Trust Company, LLC, a New York limited liability trust company, as Rights Agent (the “Rights Agent”), as amended as of January 8, 2021 and as may be further amended from time to time (the “Tax Benefits Preservation Plan”), to purchase from the Company at any time after the Distribution Dated and prior to the earlier of (i) 11:59 p.m., New York City time, on the date that the votes of the stockholders of the Company, with respect to the Company’s next annual meeting of stockholders are certified (which date and time shall be in no event later than 11:59 P.M., New York City time, on January 8, 2022), unless the continuation of the Agreement is approved by the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy and actually voted at such meeting of stockholders (or any adjournment or postponement thereof) duly held in accordance with the Company’s Fourth Amended and Restated Bylaws and applicable law (in which case clause (ii) will govern); (ii) 11:59 p.m., New York City time, on January 8, 2024; or (iii) such time as the Rights are earlier redeemed, exchanged or terminated or such other earlier Expiration Date (as defined in the Tax Benefits Preservation Plan), at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-thousandth of a fully paid, non-assessable share of Series D Junior Participating Preferred Stock (the “Preferred Stock”) of the Company, at a purchase price of \$20.00 per one one-thousandth of a share (the “Purchase Price”), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed.

5. The fifth full paragraph of the Form of Summary of Rights to Purchase Preferred Stock, which is attached as Exhibit C to the Plan, shall be amended and restated in its entirety as follows:

“The Rights are not exercisable until the Distribution Date and will expire at the earliest of (i) 11:59 p.m., New York City time, on the date that the votes of the stockholders of the Company, with respect to the Company’s next annual meeting of stockholders are certified (which date and time shall be in no event later than 11:59 P.M., New York City time, on January 8, 2022), unless the continuation of the Agreement is approved by the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy and actually voted at such meeting of stockholders (or any adjournment or postponement thereof) duly held in accordance with the Company’s Fourth Amended and Restated Bylaws and applicable law (in which case clause (ii) will govern); (ii) 11:59 p.m., New York City time, on January 8, 2024; (iii) the time at which the Rights are redeemed or exchanged as provided in the Tax Benefits Preservation Plan, and (iv) the time at which the Board determines that the Tax Benefits Preservation Plan is no longer necessary or desirable for the preservation of Tax Benefits.”

6. All references to “ModusLink Global Solutions, Inc.” in the Plan shall be deleted in their entirety and replaced with “Steel Connect, Inc.”
7. Except as expressly provided in this Amendment, all of the terms and provisions of the Plan shall remain in full force and effect.
8. This Amendment may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument. A signature to this Amendment executed and/or transmitted electronically shall have the same authority, effect and enforceability as an original signature.
9. This Amendment shall be deemed to be a contract made under the laws of the State of Delaware and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts made and to be performed entirely within such State.

[Remainder of page intentionally left blank. Signature page follows.]

Steel Connect, Inc. Amends Tax Benefits Preservation Plan

SMYRNA, Tenn. -- (BUSINESS WIRE) January 8, 2021 -- Steel Connect, Inc. (the “**Company**”) (Nasdaq: STCN), today announced that its Board of Directors (the “**Board**”) amended its tax benefits preservation plan, dated as of January 19, 2018 (the “**Plan**”), to extend the term of the Plan to January 8, 2024 (subject to earlier expiration, as described below).

The Company has significant net operating loss carryforwards for federal and state tax purposes and believes that its ability to utilize these net operating loss carryforwards and other tax attributes (collectively, “**Tax Benefits**”) would be substantially limited if the Company undergoes an “ownership change” (within the meaning of Section 382 of the Internal Revenue Code). The Plan is intended to prevent an “ownership change” of the Company that would impair the Company’s ability to utilize its Tax Benefits.

Pursuant to the Plan and subject to certain exceptions, if a stockholder (or group) becomes a 4.99 percent stockholder, the rights issued under the Plan (the “**Rights**”) would generally become exercisable and entitle stockholders (other than the 4.99-percent stockholder or group) to purchase additional shares of the Company’s common stock at a significant discount, resulting in substantial dilution in the economic interest and voting power of the 4.99-percent stockholder (or group). In addition, under certain circumstances in which the Company is acquired in a merger or other business combination after a non-exempt stockholder (or group) becomes a 4.99 percent stockholder, each holder of a Right (other than the 4.99-percent stockholder or group) would then be entitled to purchase shares of the acquiring company’s common stock at a discount.

The Rights are not exercisable until the Distribution Date (as defined in the Plan) and, pursuant to the amendment, will expire at the earliest of (i) 11:59 p.m., New York City time, on the date that the votes of the stockholders of the Company, with respect to the Company’s next annual meeting of stockholders are certified, unless the continuation of the Plan is approved by the affirmative vote of the majority of shares of Common Stock present in person or represented by proxy and actually voted at such meeting of stockholders (or any adjournment or postponement thereof) duly held in accordance with the Company’s Fourth Amended and Restated Bylaws and applicable law (in which case clause (ii) will govern); (ii) 11:59 p.m., New York City time, on January 8, 2024; (iii) the time at which the Rights are redeemed or exchanged as provided in the Plan, and (iv) the time at which the Board determines that the Plan is no longer necessary or desirable for the preservation of Tax Benefits.

The Company has not amended the Plan other than with respect to the expiration date. Additional details regarding the Plan were described in a current report on Form 8-K filed with the U.S. Securities and Exchange Commission on January 19, 2018.

About Steel Connect, Inc.

Steel Connect, Inc. is a diversified holding company with two wholly-owned subsidiaries, IWCO Direct Holdings, Inc. and ModusLink Corporation, that have market-leading positions in direct marketing and supply chain management, respectively.

Investor Relations Contact

Jennifer Golembeske
914-461-1276
investorrelations@steelconnectinc.com