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

FORM 10-Q

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

☒

Quarterly period ended March 31, 2021

OR

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

For the transition period from ____ to ____

Commission File Number: 000-26926

ScanSource, Inc.

South Carolina
(State of Incorporation)

57-0965380
(I.R.S. Employer Identification No.)

6 Logue Court
Greenville, South Carolina 29615
(864) 288-2432

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

Title of each class:	Trading Symbol:	Name of exchange on which registered:
Common stock, no par value	SCSC	NASDAQ Global Select Market

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 7, 2021
Common Stock, no par value per share	**25,466,365 shares**

SCANSOURCE, INC.
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March 31, 2021

FORWARD-LOOKING STATEMENTS

Forward-looking statements are included in the "Risk Factors," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures About Market Risk" sections and elsewhere herein. Words such as "expects," "anticipates," "believes," "intends," "plans," "hopes," "forecasts," "seeks," "estimates," "goals," "projects," "strategy," "future," "likely," "may," "should," and variations of such words and similar expressions generally identify such forward-looking statements. Any forward-looking statement made by us in this Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q, except as required by law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to, the impact of the COVID-19 pandemic on the Company's operations and financial condition and the potential prolonged economic weakness brought on by COVID-19, the failure to manage and implement the Company's organic growth strategy, credit risks involving the Company's larger customers and suppliers, changes in interest and exchange rates and regulatory regimes impacting the Company's international operations, risk to the Company's business from a cyber-security attack, a failure of the Company's IT systems, failure to hire and retain quality employees, loss of the Company's major customers, termination of the Company's relationship with key suppliers or a significant modification of the terms under which it operates with a key supplier, changes in the Company's operating strategy, and other factors set forth in "Risk Factors" contained in our Annual Report on Form 10-K for the year ended June 30, 2020.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share information)

	March 31, 2021	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 49,321	$ 29,485
Accounts receivable, less allowance of $21,180 at March 31, 2021 and $21,906 at June 30, 2020	509,404	443,185
Inventories	459,652	454,885
Prepaid expenses and other current assets	99,424	94,681
Current assets held for sale	—	181,231
Total current assets	1,117,801	1,203,467
Property and equipment, net	45,316	55,641
Goodwill	217,093	214,288
Identifiable intangible assets, net	109,172	121,547
Deferred income taxes	24,405	24,630
Other non-current assets	68,835	72,521
Total assets	$ 1,582,622	$ 1,692,094
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 521,552	$ 454,240
Accrued expenses and other current liabilities	87,969	76,686
Current portion of contingent consideration	—	46,334
Income taxes payable	5,333	5,886
Current portion of long-term debt	7,843	7,839
Current liabilities held for sale	—	128,022
Total current liabilities	622,697	719,007
Deferred income taxes	4,309	3,884
Long-term debt, net of current portion	137,206	143,175
Borrowings under revolving credit facility	53,802	67,714
Other long-term liabilities	74,033	80,068
Total liabilities	892,047	1,013,848
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 3,000,000 shares authorized, none issued	—	—
Common stock, no par value; 45,000,000 shares authorized, 25,466,365 and 25,361,298 shares issued and outstanding at March 31, 2021 and June 30, 2020, respectively	68,895	63,765
Retained earnings	734,361	747,276
Accumulated other comprehensive loss	(112,681)	(132,795)
Total shareholders' equity	690,575	678,246
Total liabilities and shareholders' equity	$ 1,582,622	$ 1,692,094

June 30, 2020 amounts are derived from audited consolidated financial statements.
See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)
(In thousands, except per share data)

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
Net sales	**$ 729,873**	$ 744,584	**$ 2,298,111**	$ 2,411,285
Cost of goods sold	**641,757**	660,006	**2,043,172**	2,129,862
Gross profit	**88,116**	84,578	**254,939**	281,423
Selling, general and administrative expenses	**60,099**	64,971	**182,681**	201,344
Depreciation expense	**3,141**	3,268	**9,634**	9,729
Intangible amortization expense	**4,880**	5,159	**14,595**	15,007
Restructuring and other charges	**560**	169	**9,312**	604
Change in fair value of contingent consideration	**—**	618	**516**	6,266
Operating income	**19,436**	10,393	**38,201**	48,473
Interest expense	**1,576**	3,098	**5,285**	9,727
Interest income	**(745)**	(1,080)	**(1,756)**	(2,627)
Other (income) expense, net	**(302)**	(137)	**183**	198
Income before income taxes	**18,907**	8,512	**34,489**	41,175
Provision for income taxes	**5,121**	2,797	**9,757**	11,542
Net income from continuing operations	**13,786**	5,715	**24,732**	29,633
Net loss from discontinued operations	**(688)**	(4,002)	**(37,647)**	(5,025)
Net income (loss)	**$ 13,098**	$ 1,713	**$ (12,915)**	$ 24,608
Per share data:				
Net income from continuing operations per common share, basic	**$ 0.54**	$ 0.23	**$ 0.97**	$ 1.17
Net loss from discontinued operations per common share, basic	**(0.03)**	(0.16)	**$ (1.48)**	$ (0.20)
Net income (loss) per common share, basic	**$ 0.51**	$ 0.07	**$ (0.51)**	$ 0.97
Weighted-average shares outstanding, basic	**25,455**	25,346	**25,404**	25,386
Net income from continuing operations per common share, diluted	**$ 0.54**	$ 0.23	**$ 0.97**	$ 1.16
Net loss from discontinued operations per common share, diluted	**(0.03)**	(0.16)	**$ (1.48)**	$ (0.20)
Net income (loss) per common share, diluted	**$ 0.51**	$ 0.07	**$ (0.51)**	0.97
Weighted-average shares outstanding, diluted	**25,572**	25,363	**25,484**	25,444

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
Net income (loss)	**$ 13,098**	$ 1,713	**$ (12,915)**	$ 24,608
Unrealized gain (loss) on hedged transaction, net of tax	**1,582**	(4,046)	**2,209**	(4,217)
Unrealized foreign currency translation adjustment	**(9,216)**	(28,788)	**6,269**	(34,869)
Realized foreign currency loss from discontinued operations	**—**	—	**11,635**	—
Comprehensive income (loss)	**$ 5,464**	$ (31,121)	**$ 7,198**	$ (14,478)

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2020	25,361,298	$ 63,765	$ 747,276	$ (132,795)	$ 678,246
Net loss	—	—	(11,819)	—	(11,819)
Unrealized gain on hedged transaction, net of tax	—	—	—	109	109
Unrealized foreign currency translation adjustment	—	—	—	3,511	3,511
Share-based compensation	—	1,180	—	—	1,180
Balance at September 30, 2020	25,361,298	$ 64,945	$ 735,457	$ (129,175)	$ 671,227
Net loss	—	—	(14,194)	—	(14,194)
Unrealized gain on hedged transaction, net of tax	—	—	—	519	519
Unrealized foreign currency translation adjustment	—	—	—	11,974	11,974
Realized foreign currency loss from discontinued operations	—	—	—	11,635	11,635
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	90,342	(1,036)	—	—	(1,036)
Share-based compensation	—	2,015	—	—	2,015
Balance at December 31, 2020	25,451,640	$ 65,924	$ 721,263	$ (105,048)	$ 682,139
Net income	—	—	13,098	—	13,098
Unrealized gain on hedged transaction, net of tax	—	—	—	1,582	1,582
Unrealized foreign currency translation adjustment	—	—	—	(9,216)	(9,216)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	14,725	439	—	—	439
Share-based compensation	—	2,532	—	—	2,532
Balance at March 31, 2021	25,466,365	$ 68,895	$ 734,361	$ (112,681)	$ 690,575

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2019	25,408,397	$ 64,287	$ 939,930	$ (90,088)	$ 914,129
Net income	—	—	11,530	—	11,530
Unrealized loss on hedged transaction, net of tax	—	—	—	(1,071)	(1,071)
Unrealized foreign currency translation adjustment	—	—	—	(14,639)	(14,639)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	786	(12)	—	—	(12)
Common stock repurchased	(168,068)	(5,432)	—	—	(5,432)
Share-based compensation	—	1,246	—	—	1,246
Balance at September 30, 2019	25,241,115	$ 60,089	$ 951,460	$ (105,798)	$ 905,751
Net income	—	—	11,366	—	11,366
Unrealized gain on hedged transaction, net of tax	—	—	—	900	900
Unrealized foreign currency translation adjustment	—	—	—	8,558	8,558
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	104,683	(621)	—	—	(621)
Share-based compensation	—	1,627	—	—	1,627
Balance at December 31, 2019	25,345,798	$ 61,095	$ 962,825	$ (96,340)	$ 927,580
Net income	—	—	1,713	—	1,713
Unrealized loss on hedged transaction, net of tax	—	—	—	(4,046)	(4,046)
Foreign currency translation adjustment	—	—	—	(28,788)	(28,788)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	—	34	—	—	34
Share-based compensation	—	1,185	—	—	1,185
Balance at March 31, 2020	25,345,798	$ 62,314	$ 964,538	$ (129,174)	$ 897,678

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine months ended March 31,	
	2021	**2020**
Cash flows from operating activities:		
Net (loss) income	**$ (12,915)**	$ 24,608
Net loss from discontinued operations	**(37,647)**	(5,025)
Net income from continuing operations	**24,732**	29,633
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Depreciation and amortization	**25,417**	26,585
Amortization of debt issue costs	**313**	313
Provision for doubtful accounts	**226**	1,399
Share-based compensation	**5,711**	4,053
Deferred income taxes	**(26)**	(1,479)
Change in fair value of contingent consideration	**516**	6,266
Contingent consideration payments excess	**(5,457)**	(3,050)
Finance lease interest	**96**	64
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	**(68,654)**	(85)
Inventories	**(5,907)**	(7,446)
Prepaid expenses and other assets	**(1,641)**	(10,977)
Other non-current assets	**2,846**	(1,029)
Accounts payable	**69,609**	55,378
Accrued expenses and other liabilities	**8,434**	13,233
Income taxes payable	**(793)**	(4,775)
Net cash provided by operating activities of continuing operations	**55,422**	108,083
Cash flows from investing activities of continuing operations:		
Capital expenditures	**(2,283)**	(6,575)
Cash paid for business acquisitions, net of cash acquired	**—**	(48,915)
Proceeds from the sale of discontinued operations	**34,356**	—
Net cash provided by (used in) investing activities of continuing operations	**32,073**	(55,490)
Cash flows from financing activities of continuing operations:		
Borrowings on revolving credit, net of expenses	**1,486,464**	1,608,472
Repayments on revolving credit, net of expenses	**(1,500,375)**	(1,650,862)
Borrowings on long-term debt, net	**(5,964)**	(3,147)
Repayments of finance lease obligations	**(974)**	(660)
Contingent consideration payments	**(41,393)**	(35,481)
Exercise of stock options	**439**	754
Taxes paid on settlement of equity awards	**(1,036)**	(1,354)
Repurchase of common stock	**—**	(6,077)
Net cash used in financing activities of continuing operations	**(62,839)**	(88,355)

SCANSOURCE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), continued
(In thousands)

Cash flows from discontinued operations:		
Net cash flows provided by operating activities of discontinued operations	**21,704**	42,000
Net cash flows used in by investing activities of discontinued operations	**(58)**	(48)
Net cash flows (used in) provided by financing activities of discontinued operations	**(29,494)**	6,739
Net cash flows (used in) provided by discontinued operations	**(7,848)**	48,691
Effect of exchange rate changes on cash and cash equivalents	**(1,942)**	(2,151)
Increase in cash and cash equivalents	**14,866**	10,778
Cash and cash equivalents at beginning of period	**34,455**	23,818
Cash and cash equivalents at end of period	**49,321**	34,596
Cash and cash equivalents of discontinued operations	**—**	4,838
Cash and cash equivalents of continuing operations	**$ 49,321**	$ 29,758

See accompanying notes to these condensed consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) Business and Summary of Significant Accounting Policies

Business Description

ScanSource, Inc. (together with its subsidiaries referred to as “the Company” or “ScanSource”) is at the center of the solution delivery channel, connecting businesses and providing technology solutions. The Company brings technology solutions and services from the world’s leading suppliers of mobility and barcode, point-of-sale (POS), payments, physical security, unified communications and collaboration, telecom and cloud services to market. The Company operates in the United States, Canada, Brazil and the UK. During the quarter ended December 31, 2020, the Company completed the divestitures of its products distribution business in the UK, Europe and Latin America, outside of Brazil. The Company's two operating segments, Worldwide Barcode, Networking & Security and Worldwide Communications & Services, are based on product, customer and service type.

COVID-19

In early March 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") as a pandemic. The rapid spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns. The Company moved quickly to transition its employees, where possible, to a fully remote working environment. The Company took steps to deploy teams to monitor the rapidly evolving situation and recommend risk mitigation actions; implement travel restrictions; and have employees follow physical distancing practices. The Company is following guidance from authorities and health officials including, but not limited to, checking the temperature of associates when entering its facilities, requiring associates to wear masks and other protective clothing as appropriate, and implementing additional cleaning and sanitation routines. All of the Company's distribution facilities have remained open and operational. Most of the Company's office-based employees around the world are working remotely.

The pandemic and these containment measures have had, and are expected to continue to have, a substantial impact on businesses around the world, including the Company, and on global, regional and national economies. The Company is unable to predict the ultimate impact that COVID-19 will have on its business due to the inability to predict the duration or magnitude of the virus' impact. In fiscal year 2020, the Company experienced decreased revenue and increased employee-related healthcare and prevention costs as a result of the COVID-19 pandemic. While the Company has made adjustments, including implementing an annualized expense reduction plan for fiscal year 2021, the Company will continue to monitor and make adjustments to the operating practices that it believes to be in the best interests of its employees, customers, suppliers, and shareholders. For further discussion on the potential future impacts of COVID-19, see the Risk Factors presented in Part I, Item 1A in the Company's form 10-K for fiscal year 2020.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company’s management in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and applicable rules and regulations of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of normal recurring and non-recurring adjustments) that are, in the opinion of management, necessary to present fairly the financial position at March 31, 2021 and June 30, 2020, the results of operations for the quarters and nine months ended March 31, 2021 and 2020, the statements of comprehensive income for the quarters and nine months ended March 31, 2021 and 2020, the statements of shareholders' equity for the quarters and nine months ended March 31, 2021 and 2020 and the statements of cash flows for the nine months ended March 31, 2021 and 2020. The results of operations for the quarters and nine months ended March 31, 2021 and 2020 are not necessarily indicative of the results to be expected for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

The Company has reclassified certain prior year amounts for the results of discontinued operations to conform to the current year presentation. Unless otherwise indicated, amounts provided in these Notes pertain to continuing operations only.

Summary of Significant Accounting Policies

Except as described below, there have been no material changes to the Company’s significant accounting policies for the nine months ended March 31, 2021 from the policies described in the notes to the Company’s consolidated financial statements included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2020. For a discussion of the Company’s significant accounting policies, please see the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

See Note 2 - *Trade Accounts and Notes Receivable* for a discussion of the current expected credit loss policy established upon adoption of Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (ASC Topic 326)* in fiscal year 2021.

Restructuring Costs

The Company groups exit or disposal cost obligations into two categories: (i) severance and benefit costs and (ii) other. Employee separation costs are recognized upon communication of the restructuring plan to the identified employees. Other associated restructuring costs are expensed as incurred. See Note 14 - *Restructuring* for further disclosures.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains zero-balance disbursement accounts at various financial institutions at which the Company does not maintain significant depository relationships. Due to the terms of the agreements governing these accounts, the Company generally does not have the right to offset outstanding checks written from these accounts against cash on hand, and the respective institutions are not legally obligated to honor the checks until sufficient funds are transferred to fund the checks. As a result, checks released but not yet cleared from these accounts in the amounts of $17.0 million and $17.1 million are included in accounts payable on the condensed consolidated balance sheets at March 31, 2021 and June 30, 2020, respectively.

Long-lived Assets

The Company presents depreciation expense and intangible amortization expense on the Condensed Consolidated Income Statements. The Company's depreciation expense related to selling, general and administrative costs totaled $3.1 million and $9.6 million for the quarter and nine months ended March 31, 2021, respectively, and $3.3 million and $9.7 million for the quarter and nine months ended March 31, 2020, respectively. Depreciation expense reported as part of cost of goods sold on the Condensed Consolidated Income Statements totaled $0.3 million and $1.2 million for the quarter and nine months ended March 31, 2021, respectively, and $0.6 million and $1.8 million for the quarter and nine months ended March 31, 2020, respectively. The Company's intangible amortization expense reported on the Condensed Consolidated Income Statements relates to selling, general and administrative costs, not the cost of selling goods. Intangible amortization expense totaled $4.9 million and $14.6 million for the quarter and nine months ended March 31, 2021, respectively, and $5.2 million and $15.0 million for the quarter and nine months ended March 31, 2020, respectively.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (ASC Topic 326).* In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326: Financial Instruments - Credit Losses,* which provides supplemental guidance and clarification to ASU 2016-13 and must be adopted concurrently. The pronouncement revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The Company adopted this standard effective July 1, 2020 and it did not have a material impact on the Company's consolidated financial statements. See Note 2 - *Trade Accounts and Notes Receivable* for disclosures related to the adoption of ASU 2016-13.

In August 2018, the FASB issued ASU 2018-13*, Fair Value Measurement (ASC Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The pronouncement eliminates, modifies and adds disclosure requirements for fair value measurements. The Company adopted this standard effective July 1, 2020 and it had no impact on its consolidated financial statements.

The Company has reviewed other newly issued accounting pronouncements and concluded that they are either not applicable to its business or that no material effect is expected on its consolidated financial statements as a result of future adoption.

(2) Trade Accounts and Notes Receivable, Net

The Company maintains an allowance for doubtful accounts receivable for estimated future expected credit losses resulting from customers' failure to make payments on accounts receivable due to the Company. The Company has notes receivable with certain customers, which are included in "Accounts receivable, less allowance" in the Condensed Consolidated Balance Sheets.

Management determines the estimate of the allowance for doubtful accounts receivable by considering a number of factors, including: (i) historical experience, (ii) aging of the accounts receivable, (iii) specific information obtained by the Company on the financial condition and the current creditworthiness of its customers, (iv) the current economic and country-specific environment and (v) reasonable and supportable forecasts about collectability. Expected credit losses are estimated on a pool basis when similar risk characteristics exist using an age-based reserve model. Receivables that do not share risk characteristics are evaluated on an individual basis. Estimates of expected credit losses on trade receivables over the contractual life are recorded at inception.

The changes in the allowance for doubtful accounts for the nine months ended March 31, 2021 are set forth in the table below.

	June 30, 2020	Amounts Charged to Expense	Write-offs	Other (1)	March 31, 2021
			(in thousands)		
Trade accounts and current notes receivable allowance	**$ 21,906**	**$ 226**	**$ (1,603)**	**$ 651**	**$ 21,180**

(1) "Other" amounts include recoveries and the effect of foreign currency fluctuations for the nine months ended March 31, 2021.

(3) Revenue Recognition

The Company provides technology solutions and services from the world's leading suppliers of mobility and barcode, POS, payments, physical security, unified communications and collaboration, and telecom and cloud services. This includes hardware, related accessories and device configuration as well as software licenses, professional services and hardware support programs.

In determining the appropriate amount of revenue to recognize, the Company applies the following five-step model: (i) identify contracts with customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company recognizes revenue as control of products and services are transferred to customers, which is generally at the point of shipment. The Company delivers products to customers in several ways, including: (i) shipment from the Company's warehouse, (ii) drop-shipment directly from the supplier, or (iii) electronic delivery for non-physical products.

Principal versus Agent Considerations

The Company is the principal for sales of all hardware, certain software and services, including self-branded warranty programs. The Company considers itself the principal in these transactions as it has control of the product or service before it is transferred to the customer. When the Company provides self-branded warranty programs, it engages a third party, generally the original equipment manufacturer, to cover the fulfillment of any obligations arising from these contracts. These revenues and associated third-party costs are amortized over the life of the contract on a straight-line basis. The Company recognizes the previously described revenue and cost of goods sold on a gross basis.

The Company is the agent for third-party service contracts, including product warranties and supplier-hosted software. These service contracts are sold separately from the products, and the Company often serves as the agent for the contract on behalf of the original equipment manufacturer. The Company's responsibility is to arrange for the provision of the specified service by the original equipment manufacturer, and the Company does not control the specified service before it is transferred to the customer. Because the Company acts as an agent, revenue is recognized net of cost at the time of sale.

Related to the Company’s Intelisys business, the Company acts as a master agent connecting independent sales partners with service providers or suppliers who offer telecom and cloud services to end-customers. Intelisys’ sales partners earn commission payments from those service providers or suppliers on end-customer sales. Intelisys provides commission processing services to sales partners, earning a percentage of the commission stream. Because the Company acts as an agent, revenue is recognized on a net basis.

Variable Considerations

For certain transactions, products are sold with a right of return and may also provide other rebates or incentives, which are accounted for as variable consideration. The Company estimates returns allowance based on historical experience and reduces revenue accordingly. The Company estimates the amount of variable consideration for rebates and incentives by using the expected value or the most likely amount to be given to the customer and reduces the revenue by those estimated amounts. These estimates are reviewed and updated as necessary at the end of each reporting period.

Contract Balances

The Company records contract assets and liabilities for payments received from customers in advance of services performed. These assets and liabilities are the result of the sales of the Company's self-branded warranty programs and other transactions where control has not yet passed to the customer. These amounts are immaterial to the consolidated financial statements for the periods presented.

Disaggregation of Revenue

The following tables represent the Company's disaggregation of revenue:

	Quarter ended March 31, 2021 (in thousands)		
	Worldwide Barcode, Networking & Security Segment	**Worldwide Communications & Services Segment**	**Total**
Revenue by product/service:			
Technology solutions	**$ 502,227**	**$ 211,369**	**$ 713,596**
Intelisys	**—**	**16,277**	**16,277**
	$ 502,227	**$ 227,646**	**$ 729,873**

	Nine months ended March 31, 2021 (in thousands)		
	Worldwide Barcode, Networking & Security Segment	**Worldwide Communications & Services Segment**	**Total**
Revenue by product/service:			
Technology solutions	**$ 1,577,197**	**$ 673,134**	**$ 2,250,331**
Intelisys	**—**	**47,780**	**47,780**
	$ 1,577,197	**$ 720,914**	**$ 2,298,111**

	Quarter ended March 31, 2020 (in thousands)		
	Worldwide Barcode, Networking & Security Segment	**Worldwide Communications & Services Segment**	**Total**
Revenue by product/service:			
Technology solutions	$ 489,218	$ 240,819	$ 730,037
Intelisys	—	14,547	14,547
	$ 489,218	$ 255,366	$ 744,584

	Nine months ended March 31, 2020 (in thousands)		
	Worldwide Barcode, Networking & Security Segment	**Worldwide Communications & Services Segment**	**Total**
Revenue by product/service:			
Technology solutions	$ 1,645,406	$ 723,557	$ 2,368,963
Intelisys	—	42,322	42,322
	$ 1,645,406	$ 765,879	$ 2,411,285

(4) Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share are computed by dividing net income by the weighted-average number of common and potential common shares outstanding.

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
	(in thousands, except per share data)			
Numerator:				
Net income from continuing operations	**$ 13,786**	$ 5,715	**$ 24,732**	$ 29,633
Net loss from discontinued operations	**(688)**	(4,002)	**(37,647)**	(5,025)
Net (loss) income	**$ 13,098**	$ 1,713	**$ (12,915)**	$ 24,608
Denominator:				
Weighted-average shares, basic	**25,455**	25,346	**25,404**	25,386
Dilutive effect of share-based payments	**117**	17	**80**	58
Weighted-average shares, diluted	**25,572**	25,363	**25,484**	25,444
Net income from continuing operations per common share, basic	**$ 0.54**	$ 0.23	**$ 0.97**	$ 1.17
Net loss from discontinued operations per common share, basic	**(0.03)**	(0.16)	**(1.48)**	(0.20)
Net (loss) income per common share, basic	**$ 0.51**	$ 0.07	**$ (0.51)**	$ 0.97
Net income from continuing operations per common share, diluted	**$ 0.54**	$ 0.23	**$ 0.97**	$ 1.16
Net loss from discontinued operations per common share, diluted	**(0.03)**	(0.16)	**(1.48)**	(0.20)
Net (loss) income per common share, diluted	**$ 0.51**	$ 0.07	**$ (0.51)**	$ 0.97

For the quarter and nine months ended March 31, 2021, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 1,532,961 and 1,285,153, respectively. For the quarter and nine months ended March 31, 2020, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would be anti-dilutive were 1,036,740 and 980,803, respectively.

(5) Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following:

	March 31, 2021	June 30, 2020
	(in thousands)	
Foreign currency translation adjustment	**$ (108,069)**	$ (125,974)
Unrealized loss on hedged transaction, net of tax	**(4,612)**	(6,821)
Accumulated other comprehensive loss	**$ (112,681)**	$ (132,795)

The tax effect of amounts in comprehensive (income) loss reflect a tax expense or (benefit) as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2021	2020	2021	2020
	(in thousands)			
Tax expense (benefit)	$ 1,088	$ 617	$ 1,348	$ 921

(6) Acquisitions

intY

On July 1, 2019, the Company acquired all of the outstanding shares of intY and its CASCADE cloud services distribution platform. The purchase price of this acquisition, net of cash acquired, was approximately $48.9 million. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction date. Intangible assets acquired include trade names, customer relationships, and developed technology. Goodwill recognized on this acquisition is not deductible for tax purposes. The impact of this acquisition was not material to the consolidated financial statements. The Company recognized $0.1 million and $0.5 million for the quarter and nine months ended March 31, 2020, respectively, in acquisition-related costs included in selling, general and administrative expenses on the Condensed Consolidated Income Statements in connection with this acquisition. This acquisition is included in the Worldwide Communications & Services segment.

(7) Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill for the nine months ended March 31, 2021, by reporting segment, are set forth in the table below.

	Worldwide Barcode, Networking & Security Segment	Worldwide Communications & Services Segment	Total
		(in thousands)	
Balance at June 30, 2020	$ 16,370	$ 197,918	$ 214,288
Foreign currency translation adjustment	—	2,805	2,805
Balance at March 31, 2021	**$ 16,370**	**$ 200,723**	**$ 217,093**

The following table shows changes in the amount recognized for net identifiable intangible assets for the nine months ended March 31, 2021.

	Net Identifiable Intangible Assets
	(in thousands)
Balance at June 30, 2020	$ 121,547
Amortization expense	(14,595)
Foreign currency translation adjustment	2,220
Balance at March 31, 2021	**$ 109,172**

(8) Short-Term Borrowings and Long-Term Debt

The following table presents the Company’s debt for continuing and discontinued operations at March 31, 2021 and June 30, 2020.

	March 31, 2021	June 30, 2020
	(in thousands)	
Short-term borrowings[(a)]	**$ —**	$ 3,524
Current portion of long-term debt	**7,843**	7,839
Mississippi revenue bond, net of current portion	**4,081**	4,425
Senior secured term loan facility, net of current portion	**133,125**	138,750
Borrowings under revolving credit facility[(b)]	**53,802**	92,418
Total debt	**$ 198,851**	$ 246,956

[(a)] Short-term borrowings are classified as held for sale in the Consolidated Balance sheets for the Company's discontinued operations at June 30, 2020.

(b) Borrowings under the revolving credit facility classified as held for sale in the Consolidated Balance Sheets for the Company's discontinued operations totaled $24.7 million at June 30, 2020.

Short-term Borrowings

The Company had a bank overdraft facility with Bank of America used by its products distribution business in the UK and European Union recognized as short-term borrowings. The facility was terminated with the sale of the business in November 2020. The facility allowed the Company to disburse checks in excess of bank balances up to $14.0 million U.S. dollar equivalent for up to seven days. Borrowings under the overdraft facility had an interest rate equal to 1% over the applicable currency's London Interbank Offered Rate ("LIBOR") with a zero percent floor. There were no borrowings outstanding under the overdraft facility at March 31, 2021. At June 30, 2020, there was $3.5 million outstanding under the overdraft facility classified as held for sale in the Consolidated Balance Sheets. The borrowings were denominated in euros, which bore a negative LIBOR rate at June 30, 2020, and as such the interest applicable to the Company was 1.0%.

Credit Facility

The Company has a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks (the “Amended Credit Agreement”). On April 30, 2019, the Company amended this credit facility to expand the borrowing capacity and extend its maturity to April 30, 2024. The Amended Credit Agreement includes (i) a five-year $350 million multi-currency senior secured revolving credit facility and (ii) a five-year $150 million senior secured term loan facility. Pursuant to an “accordion feature,” the Company may increase its borrowings up to an additional $250 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to $50 million for letters of credit, subject to obtaining additional credit commitments from the lenders participating in the increase. The Company incurred debt issuance costs of $1.1 million in connection with the amendments to the Amended Credit Agreement. These costs were capitalized to other non-current assets on the Condensed Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

At the Company's option, loans under the Amended Credit Agreement, other than swingline loans, bear interest at a rate equal to a spread over the LIBOR or alternate base rate depending upon the Company's net leverage ratio, calculated as total debt less up to $15 million of unrestricted domestic cash ("Credit Facility Net Debt") to trailing four-quarter adjusted earnings before interest expense, taxes, depreciation and amortization ("Credit Facility EBITDA") (the "Leverage Ratio"). This spread ranges from 1.00% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for alternate base rate loans. Additionally, the Company is charged commitment fees ranging from 0.15% to 0.30%, depending upon the Leverage Ratio, on non-utilized borrowing availability, excluding swingline loans. The Amended Credit Agreement provides for the substitution of a new interest rate benchmark upon the transition from LIBOR, subject to agreement between the Company and the administrative agent. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of the domestic assets of the Company and a pledge of up to 65% of capital stock or other equity interest in certain foreign subsidiaries determined to be either material or a subsidiary borrower as defined in the Amended Credit Agreement. Under the terms of the revolving credit facility, the payment of cash dividends is restricted.

The spread in effect as of March 31, 2021 was 1.25% for LIBOR-based loans and 0.25% for alternate base rate loans. The commitment fee rate in effect at March 31, 2021 was 0.20%. The Amended Credit Agreement includes customary representations, warranties, and affirmative and negative covenants, including financial covenants. Specifically, the Company’s Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, the Company’s Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. The Company was in compliance with all covenants under the credit facility at March 31, 2021.

Including borrowings for both continuing and discontinued operations, the average daily outstanding balance on the revolving credit facility, excluding the term loan facility, during the nine month periods ended March 31, 2021 and 2020 was $62.1 million and $252.4 million, respectively. Taking into consideration outstanding borrowings on the multi-currency revolving credit facility for both continuing and discontinued operations, there was $296.2 million and $257.3 million available for additional borrowings as of March 31, 2021 and June 30, 2020, respectively. At March 31, 2021, based upon the Leverage Ratio calculation, there was $172.6 million available for additional borrowings. There were no letters of credit issued under the multi-currency revolving credit facility at March 31, 2021 and $0.3 million at June 30, 2020.

Mississippi Revenue Bond

On August 1, 2007, the Company entered into an agreement with the State of Mississippi to provide financing for the acquisition and installation of certain equipment to be utilized at the Company's Southaven, Mississippi warehouse, through the issuance of an industrial development revenue bond. The bond matures on September 1, 2032 and accrues interest at the 30-day LIBOR rate plus a spread of 0.85%. The terms of the bond allow for payment of interest only for the first 10 years of the agreement, and then, starting on September 1, 2018 through 2032, principal and interest payments are due until the maturity date or the redemption of the bond. The agreement also provides the bondholder with a put option, exercisable only within 180 days of each fifth anniversary of the agreement, requiring the Company to pay back the bonds at 100% of the principal amount outstanding. At March 31, 2021, the Company was in compliance with all covenants under this bond. The interest rates at March 31, 2021 and June 30, 2020 were 0.96% and 1.03%, respectively.

Debt Issuance Costs

At March 31, 2021, net debt issuance costs associated with the credit facility and bond totaled $1.3 million and are being amortized through the maturity date of each respective debt instrument.

(9) Derivatives and Hedging Activities

The Company's results of operations could be materially impacted by significant changes in foreign currency exchange rates and interest rates. In an effort to manage the exposure to these risks, the Company periodically enters into various derivative instruments. The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments in accordance with U.S. GAAP. The Company records all derivatives on the consolidated balance sheet at fair value. Derivatives that are not designated as hedging instruments or the ineffective portions of cash flow hedges are adjusted to fair value through earnings in other income and expense.

Foreign Currency Derivatives – The Company conducts a portion of its business internationally in a variety of foreign currencies and is exposed to market risk for changes in foreign currency exchange rates. The Company attempts to hedge transaction exposures with natural offsets to the fullest extent possible and once these opportunities have been exhausted the Company uses currency options and forward contracts or other hedging instruments with third parties. These contracts will periodically hedge the exchange of various currencies, including the U.S. dollar, Brazilian real, euro, British pound and Canadian dollar for continuing operations.

The Company had contracts outstanding for purposes of managing cash flows with notional amounts of $25.5 million and $16.6 million for the exchange of foreign currencies at March 31, 2021 and June 30, 2020, respectively. To date, the Company has chosen not to designate these derivatives as hedging instruments, and accordingly, these instruments are adjusted to fair value through earnings in other income and expense. Summarized financial information related to these derivative contracts and changes in the underlying value of the foreign currency exposures included in the Condensed Consolidated Income Statements for the quarters and nine months ended March 31, 2021 and 2020 are as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
	(in thousands)			
Net foreign exchange derivative contract (gains) losses	**$ (1,061)**	$ (3,264)	**$ 852**	$ (3,749)
Net foreign currency transactional and re-measurement losses (gains)	**1,020**	3,168	**(74)**	3,835
Net foreign currency exchange (gains) losses	**$ (41)**	$ (96)	**$ 778**	$ 86

Net foreign currency exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign currency exchange contract gains and losses and are included in other income and expense. Foreign currency exchange gains and losses are generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real, the U.S. dollar versus the euro, British pound versus the euro and other currencies versus the U.S. dollar.

Interest Rates - The Company's earnings are also affected by changes in interest rates due to the impact those changes have on interest expense from floating rate debt instruments. The Company manages its exposure to changes in interest rates by using interest rate swaps to hedge this exposure and to achieve a desired proportion of fixed versus floating rate debt. The Company entered into an interest rate swap agreement, which was subsequently settled, and entered into a new amended agreement on April 30, 2019. The swap agreement has a notional amount of $100.0 million, with a $50.0 million tranche scheduled to mature on April 30, 2024 and a $50.0 million tranche scheduled to mature April 30, 2026. This swap agreement is designated as a cash flow hedge to hedge the variable rate interest payments on the revolving credit facility. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense. To the extent the swap is effective in offsetting the variability of the hedged cash flows, changes in the fair value of the swap are not included in current earnings but are reported as other comprehensive income (loss). There was no ineffective portion to be recorded as an adjustment to earnings for the quarters and nine months ended March 31, 2021 and 2020.

The components of the cash flow hedge included in the Condensed Consolidated Statement of Comprehensive Income for the quarters and nine months ended March 31, 2021 and 2020, are as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
	(in thousands)			
Net interest expense recognized as a result of interest rate swap	**$ 557**	$ 180	**$ 1,682**	$ 343
Unrealized gain (loss) in fair value of interest rate swap	**1,549**	(5,518)	**1,281**	(5,890)
Net increase (decrease) in accumulated other comprehensive income	**2,106**	(5,338)	**2,963**	(5,547)
Income tax effect	**524**	(1,292)	**754**	(1,330)
Net increase (decrease) in accumulated other comprehensive income, net of tax	**$ 1,582**	$ (4,046)	**$ 2,209**	$ (4,217)

The Company used the following derivative instruments at March 31, 2021 and June 30, 2020, reflected in its Condensed Consolidated Balance Sheets, for the risk management purposes detailed above:

		March 31, 2021		June 30, 2020	
	Balance Sheet Location	**Fair Value of Derivatives Designated as Hedge Instruments**	**Fair Value of Derivatives Not Designated as Hedge Instruments**	**Fair Value of Derivatives Designated as Hedge Instruments**	**Fair Value of Derivatives Not Designated as Hedge Instruments**
		(in thousands)			
Derivative liabilities:					
Foreign exchange contracts	Accrued expenses and other current liabilities	**$ —**	**$ 45**	$ —	$ 26
Foreign currency hedge	Accrued expenses and other current liabilities	**$ 275**	**$ —**	$ —	$ —
Interest rate swap agreement	Other long-term liabilities	**$ 6,340**	**$ —**	$ 9,433	$ —

(10) Fair Value of Financial Instruments

Accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Under this guidance, the Company classifies certain assets and liabilities based on the fair value hierarchy, which aggregates fair value measured assets and liabilities based upon the following levels of inputs:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity).

The assets and liabilities maintained by the Company that are required to be measured or disclosed at fair value on a recurring basis include the Company's various debt instruments, deferred compensation plan investments, outstanding forward foreign currency exchange contracts, interest rate swap agreements and contingent consideration owed to the previous owners of Intelisys. The carrying value of debt is considered to approximate fair value, as the Company's debt instruments are indexed to a variable rate using the market approach (Level 2 criteria).

The following table summarizes the valuation of the Company's remaining assets and liabilities measured at fair value on a recurring basis at March 31, 2021:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(in thousands)		
Assets:				
Deferred compensation plan investments, current and non-current portion	$ 30,145	$ 30,145	$ —	$ —
Total assets at fair value	$ 30,145	$ 30,145	$ —	$ —
Liabilities:				
Deferred compensation plan investments, current and non-current portion	$ 30,145	$ 30,145	$ —	$ —
Forward foreign currency exchange contracts	45	—	45	—
Foreign currency hedge	275	—	275	—
Interest rate swap agreement	6,340	—	6,340	—
Total liabilities at fair value	$ 36,805	$ 30,145	$ 6,660	$ —

The following table summarizes the valuation of the Company's remaining assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(in thousands)		
Assets:				
Deferred compensation plan investments, current and non-current portion	$ 27,159	$ 27,159	$ —	$ —
Total assets at fair value	$ 27,159	$ 27,159	$ —	$ —
Liabilities:				
Deferred compensation plan investments, current and non-current portion	$ 27,159	$ 27,159	$ —	$ —
Forward foreign currency exchange contracts	26	—	26	—
Interest rate swap agreement	9,433	—	9,433	—
Liability for contingent consideration	46,334	—	—	46,334
Total liabilities at fair value	$ 82,952	$ 27,159	$ 9,459	$ 46,334

The investments in the deferred compensation plan are held in a "rabbi trust" and include mutual funds and cash equivalents for payment of non-qualified benefits for certain retired, terminated and active employees. These investments are recorded to prepaid expenses and other current assets or other non-current assets depending on their corresponding, anticipated distribution dates to recipients, which are reported in accrued expenses and other current liabilities or other long-term liabilities, respectively.

Derivative instruments, such as foreign currency forward contracts, are measured using the market approach on a recurring basis considering foreign currency spot rates and forward rates quoted by banks or foreign currency dealers and interest rates quoted by banks (Level 2). Fair values of interest rate swaps are measured using standard valuation models with inputs that can be derived from observable market transactions, including LIBOR spot and forward rates (Level 2). Foreign currency contracts and interest rate swap agreements are classified in the Condensed Consolidated Balance Sheets as prepaid expenses and other non-current assets or accrued expenses and other long-term liabilities, depending on the respective instruments' favorable or unfavorable positions. See Note 9 - *Derivatives and Hedging Activities*.

The Company recorded a contingent consideration liability at the acquisition date of Intelisys representing the amounts payable to former shareholders, as outlined under the terms of the purchase agreements, based upon the achievement of a projected earnings measure, net of specific pro forma adjustments. The current and non-current portions of these obligations are reported separately on the Condensed Consolidated Balance Sheets. The fair value of the contingent considerations (Level 3) are determined using a form of a probability weighted discounted cash flow model. Subsequent changes in the fair value of the contingent consideration liabilities are recorded to the change in fair value of contingent consideration line item in the Condensed Consolidated Income Statements.

Intelisys is part of the Company's Worldwide Communications & Services segment. The table below provides a summary of the changes in fair value of the Company's contingent considerations for the Intelisys earnout, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the quarter and nine months ended March 31, 2021. The final earnout payment due to the former owners of Intelisys was paid in October 2020.

	Quarter ended March 31, 2021	Nine months ended March 31, 2021
	Worldwide Communications & Services Segment	
	(in thousands)	
Fair value at beginning of period	**$ —**	**$ 46,334**
Payments	**—**	**(46,850)**
Change in fair value of contingent consideration	**—**	**516**
Fair value at end of period	**$ —**	**$ —**

The table below provides a summary of the changes in fair value of the Company's contingent considerations (Level 3) for the Intelisys earnout for the quarter and nine months ended March 31, 2020.

	Quarter ended March 31, 2020	Nine months ended March 31, 2020
	Worldwide Communications & Services Segment	
	(in thousands)	
Fair value at beginning of period	$ 45,043	$ 77,925
Payments	—	(38,531)
Change in fair value of contingent consideration	617	6,266
Fair value at end of period	$ 45,660	$ 45,660

The fair values of amounts owed are recorded in current portion of contingent consideration in the Company's Condensed Consolidated Balance Sheets. In accordance with ASC 805, the Company will revalue the contingent consideration liability at each reporting date through the last payment, with changes in the fair value of the contingent consideration reflected in the change in fair value of contingent consideration line item on the Company's Condensed Consolidated Income Statements that is included in the calculation of operating income. The fair value of the contingent consideration liability associated with future earnout payments is based on several factors, including:

- estimated future results, net of pro forma adjustments set forth in the purchase agreements;
- the probability of achieving these results; and
- a discount rate reflective of the Company's creditworthiness and market risk premium associated with the United States markets.

A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. Valuation techniques and significant observable inputs used in recurring Level 3 fair value measurements for the Company's contingent consideration liability related to Intelisys at June 30, 2020 were as follows. The measurement period for the Intelisys earnout ended on June 30, 2020.

Reporting Period	Valuation Technique	Significant Unobservable Inputs	Weighted Average Rates[a]
June 30, 2020	Discounted cash flow	Weighted average cost of capital	3.0 %

[a] Weighted average rates identified for this significant unobservable input relate to the valuation of the Intelisys contingent consideration. Since the earnout period for Intelisys closed on June 30, 2020, the weighted average cost of capital represents the cost of debt. There is no EBITDA growth or weighted average cost of capital to report in the current period.

Intelisys

The final contingent consideration payment related to Intelisys was paid during the quarter ended December 31, 2020. The expense from the change in fair value of the contingent consideration recognized in the Condensed Consolidated Income Statement totaled $0.5 million for the nine months ended March 31, 2021. The change in fair value for the current nine month period is due to the recurring amortization of the unrecognized fair value discount.

The fair value of the liability for the contingent consideration related to Intelisys recognized at March 31, 2020 was $45.7 million, all of which was classified as current. The expense from the change in fair value of the contingent consideration recognized in the Condensed Consolidated Income Statement totaled $0.6 million and $6.3 million for the quarter and nine months ended March 31, 2020, respectively. The change in fair value for the prior-year quarter and nine month period is primarily driven by the recurring amortization of the unrecognized fair value discount and better than expected actual results.

(11) Segment Information

The Company is a leading provider of technology solutions and services to customers in specialty technology markets. The Company has two reportable segments, based on product, customer and service type.

Worldwide Barcode, Networking & Security Segment

The Worldwide Barcode, Networking & Security segment includes a portfolio of solutions primarily for enterprise mobile computing, data capture, barcode printing, POS, payments, networking, electronic physical security, cyber security and other technologies. The Company has business operations within this segment in the United States, Canada and Brazil. The Company sees adjacencies among these technologies in helping its customers develop solutions. Data capture and POS solutions interface with computer systems used to automate the collection, processing and communication of information for commercial and industrial applications, including retail sales, distribution, shipping, inventory control, materials handling, warehouse management and health care applications. Electronic physical security products include identification, access control, video surveillance, intrusion-related and wireless and networking infrastructure products.

Worldwide Communications & Services Segment

The Worldwide Communications & Services segment includes a portfolio of solutions primarily for communications technologies and services and includes the Company's acquisition of intY. The Company has business operations within this segment in the United States, Canada, Brazil and the UK. These offerings include voice, video conferencing, wireless, data networking, cable, unified communications and collaboration, cloud and technology services. As these solutions come together on IP networks, new opportunities are created to move into adjacent solutions for all vertical markets, such as education, healthcare and government.

Selected financial information for each business segment is presented below:

	Quarter ended March 31,		Nine months ended March 31,	
	2021	2020	**2021**	2020
	(in thousands)			
Sales:				
Worldwide Barcode, Networking & Security	**$ 502,227**	$ 489,218	**$ 1,577,197**	$ 1,645,406
Worldwide Communications & Services	**227,646**	255,366	**720,914**	765,879
	$ 729,873	$ 744,584	**$ 2,298,111**	$ 2,411,285
Depreciation and amortization:				
Worldwide Barcode, Networking & Security	**$ 3,772**	$ 4,210	**$ 11,852**	$ 12,765
Worldwide Communications & Services	**3,867**	3,981	**11,257**	11,436
Corporate	**719**	795	**2,308**	2,384
	$ 8,358	$ 8,986	**$ 25,417**	$ 26,585
Change in fair value of contingent consideration:				
Worldwide Communications & Services	**$ —**	$ 618	**$ 516**	$ 6,266
	$ —	$ 618	**$ 516**	$ 6,266
Operating income:				
Worldwide Barcode, Networking & Security	**$ 8,054**	$ 4,779	**$ 16,088**	$ 29,153
Worldwide Communications & Services	**12,214**	6,394	**33,555**	22,009
Corporate[1]	**(832)**	(780)	**(11,442)**	(2,689)
	$ 19,436	$ 10,393	**$ 38,201**	$ 48,473
Capital expenditures:				
Worldwide Barcode, Networking & Security	**$ (532)**	$ (1,855)	**$ (1,173)**	$ (3,294)
Worldwide Communications & Services	**(297)**	(1,988)	**(1,110)**	(3,281)
	$ (829)	$ (3,843)	**$ (2,283)**	$ (6,575)
Sales by Geography Category:				
United States and Canada	**$ 666,773**	$ 677,798	**$ 2,081,377**	$ 2,200,644
International	**64,153**	74,409	**228,784**	237,770
Less intercompany sales	**(1,053)**	(7,623)	**(12,050)**	(27,129)
	$ 729,873	$ 744,584	**$ 2,298,111**	$ 2,411,285

[1] Includes restructuring costs of $0.6 million and $9.3 million for the quarter and nine months ended March 31, 2021.

	March 31, 2021	June 30, 2020
	(in thousands)	
Assets:		
Worldwide Barcode, Networking & Security	**$ 786,123**	$ 766,746
Worldwide Communications & Services	**775,359**	685,053
Corporate	**21,140**	59,064
Assets held for sale	**—**	181,231
	$ 1,582,622	$ 1,692,094
Property and equipment, net by Geography Category:		
United States and Canada	**$ 42,517**	$ 53,083
International	**2,799**	2,558
	$ 45,316	$ 55,641

(12) Leases

In accordance with ASC 842, at contract inception the Company determines if a contract contains a lease by assessing whether the contract contains an identified asset and whether the Company has the ability to control the asset. The Company also determines if the lease meets the classification criteria for an operating lease versus a finance lease under ASC 842. Substantially all of the Company's leases are operating leases for real estate, warehouse and office equipment ranging in duration from 1 year to 10 years. The Company has elected not to record short-term operating leases with an initial term of 12 months or less on the Condensed Consolidated Balance Sheets. Operating leases are recorded as other non-current assets, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The Company has finance leases for information technology equipment expiring in fiscal year 2022. Finance leases are recorded as property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The gross amount of the balances recorded related to finance leases is immaterial to the financial statements at March 31, 2021 and June 30, 2020.

Operating lease right-of-use assets and lease liabilities are recognized at the commencement date based on the net present value of future minimum lease payments over the lease term. The Company generally is not able to determine the rate implicit in its leases and has elected to apply an incremental borrowing rate as the discount rate for the present value determination, which is based on the Company's cost of borrowings for the relevant terms of each lease and geographical economic factors. Certain operating lease agreements contain options to extend or terminate the lease. The lease term used is adjusted for these options when the Company is reasonably certain it will exercise the option. Operating lease expense is recognized on a straight-line basis over the lease term. Variable lease payments not based on a rate or index, such as costs for common area maintenance, are expensed as incurred. Further, the Company has elected the practical expedient to recognize all lease and non-lease components as a single lease component, where applicable.

The following table presents amounts recorded on the Condensed Consolidated Balance Sheet related to operating leases at March 31, 2021 and June 30, 2020:

Operating leases	**Balance Sheet location**	**March 31, 2021**	**June 30, 2020**
		(in thousands)	
Operating lease right-of-use assets	Other non-current assets	**$ 20,265**	$ 23,581
Current operating lease liabilities	Accrued expenses and other current liabilities	**4,283**	4,476
Long-term operating lease liabilities	Other long-term liabilities	**17,598**	20,760

The following table presents amounts recorded in operating lease expense as part of selling general and administrative expenses on the Condensed Consolidated Income Statements during the quarters and nine months ended March 31, 2021 and 2020. Operating lease costs contain immaterial amounts of short-term lease costs for leases with an initial term of 12 months or less.

	Quarter ended March 31,		**Nine months ended March 31,**	
	2021	**2020**	**2021**	**2020**
	(in thousands)		*(in thousands)*	
Operating lease cost	**$ 1,277**	$ 1,521	**$ 3,964**	$ 4,685
Variable lease cost	**297**	389	**880**	919
	$ 1,574	$ 1,910	**$ 4,844**	$ 5,604

Supplemental cash flow information related to the Company's operating leases for the quarter and nine months ended March 31, 2021 and 2020 are presented in the table below:

	Nine months ended March 31,	
	2021	**2020**
	(in thousands)	
Cash paid for amounts in the measurement of lease liabilities	**$ 4,116**	$ 4,351
Right-of-use assets obtained in exchange for lease obligations	—	1,672

The weighted-average remaining lease term and discount rate at March 31, 2021 are presented in the table below:

	March 31, 2021
Weighted-average remaining lease term	5.42 years
Weighted-average discount rate	4.1 %

The following table presents the maturities of the Company's operating lease liabilities at March 31, 2021:

	Operating leases
	(in thousands)
Remainder of 2021	$ 1,329
2022	4,992
2023	4,658
2024	4,158
2025	3,256
Thereafter	5,990
Total future payments	24,383
Less: amounts representing interest	2,502
Present value of lease payments	$ 21,881

(13) Commitments and Contingencies

The Company and its subsidiaries are, from time to time, parties to lawsuits arising out of operations. Although there can be no assurance, based upon information known to the Company, the Company believes that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

In early March 2020, the World Health Organization characterized COVID-19 as a pandemic. The rapid spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns. The pandemic and these containment measures have had, and are expected to continue to have, a substantial impact on businesses around the world, including the Company's business, and on global, regional and national economies. The Company is unable at this time to predict the ultimate impact that COVID-19 will have on its business due to the inability to predict the duration or magnitude of the virus' impact.

During the Company's due diligence for the Network1 acquisition, several pre-acquisition contingencies were identified regarding various Brazilian federal and state tax exposures. The Company recorded indemnification receivables that are reported gross of the pre-acquisition contingency liabilities as the funds were escrowed as part of the acquisition. The amount available after the impact of foreign currency translation for future pre-acquisition contingency settlements or to be released to the sellers was $3.5 million and $4.8 million, at March 31, 2021 and June 30, 2020, respectively.

The table below summarizes the balances and line item presentation of Network1's pre-acquisition contingencies and corresponding indemnification receivables in the Company's Condensed Consolidated Balance Sheets at March 31, 2021 and June 30, 2020:

	March 31, 2021	June 30, 2020
	Network1	
	(in thousands)	
Assets		
Prepaid expenses and other current assets	**$ 14**	$ 14
Other non-current assets	**$ 3,510**	$ 3,652
Liabilities		
Accrued expenses and other current liabilities	**$ 14**	$ 14
Other long-term liabilities	**$ 3,510**	$ 3,652

The decrease in pre-acquisition contingencies and corresponding indemnification receivables is due to a slight decrease in the foreign exchange rate of the Brazilian real against the US dollar.

(14) Restructuring

In July 2020, as part of a strategic review of organizational structure and operations, the Company announced a global cost reduction and restructuring program. These actions are designed to better align the cost structure for the wholesale distribution business with lower sales volumes as a result of the COVID-19 pandemic. The Company also initiated the closure of its Canpango business, its salesforce implementation and consulting business. There has been limited adoption by the Company's partner community of the services Canpango offers. These actions include entering into severance and termination agreements with employees, legal fees to execute the reduction in force and costs associated with lease terminations.

The following table presents the restructuring and severance costs incurred for the quarter and nine months ended March 31, 2021:

	Quarter ended March 31, 2021	Nine months ended March 31, 2021
	(in thousands)	
Severance and benefit costs	$ 326	$ 8,825
Other	234	487
Total restructuring and other charges	**$ 560**	**$ 9,312**

For the quarter and nine months ended March 31, 2021, all restructuring costs are recognized in the Corporate reporting unit and have not been allocated to the Worldwide Communications & Services or Worldwide Barcode, Networking & Security segment. The Company incurred restructuring charges in the prior year that were immaterial to the condensed consolidated financial statements and unrelated to the program described above.

Accrued restructuring and severance costs are included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. The following table represents activity for the nine months ended March 31, 2021:

	Accrued Expenses
	(in thousands)
Balance at July 1, 2020	$ —
Charged to expense	9,312
Cash payments	(6,803)
Balance at March 31, 2021	**$ 2,509**

The remaining balance as of March 31, 2021 of $2.5 million, primarily related to Corporate, is expected to be paid through the first quarter of fiscal year 2022.

(15) Income Taxes

Income taxes for the quarters and nine months ended March 31, 2021 and 2020 have been included in the accompanying condensed consolidated financial statements using an estimated annual effective tax rate. In addition to applying the estimated annual effective tax rate to pre-tax income, the Company includes certain items treated as discrete events to arrive at an estimated overall tax provision. During the current period, a discrete net tax benefit of $0.5 million was recorded, which is primarily attributable to exempt foreign income.

The Company's effective tax rate of 27.1% and 28.3% for the quarter and nine months ended March 31, 2021, respectively, differs from the current federal statutory rate of 21% primarily as a result of income derived from tax jurisdictions with varying income tax rates, nondeductible expenses and state income taxes. The Company's effective tax rate was 32.9% and 28.0% for the quarter and nine months ended March 31, 2020, respectively.

The Company has provided for U.S. income taxes for the current earnings of its Canadian subsidiary and will continue to distribute the earnings of its Canadian subsidiary. Earnings from Brazil will continue to be considered retained indefinitely for reinvestment and all other foreign geographies are immaterial. It has been the practice of the Company to reinvest those earnings in the businesses outside the United States. As a result of the sale of the Latin American and European entities, the Company repatriated the proceeds to the United States with minimal tax consequences.

The Tax Cuts and Jobs Act (TCJA), passed in December 2017, created a provision known as global intangible low-tax income ("GILTI") that imposes a tax on certain earnings of foreign subsidiaries. The GILTI tax became effective for the Company during fiscal year 2019 and an accounting policy election was made to treat the tax as a current period expense.

The Company had approximately $1.2 million of total gross unrecognized tax benefits at March 31, 2021 and June 30, 2020. Of this total at March 31, 2021, approximately $1 million represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate. The Company does not believe that the total amount of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.

The Company's policy is to recognize interest and penalties related to income tax matters in income tax expense. At March 31, 2021 and June 30, 2020, the Company had approximately $1.2 million and $1.1 million, respectively, accrued for interest and penalties.

The Company conducts business globally and one or more of its subsidiaries files income tax returns in the U.S. federal, various state, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in countries and states in which it operates. With certain exceptions, the Company is no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before June 30, 2015.

(16) Discontinued Operations

On August 20, 2019, the Company announced plans to divest the product distribution businesses in Europe, the UK, Mexico, Colombia, Chile, Peru and the Miami-based export operations ("Divestitures") as these businesses had been performing below management's expectations. The Company will continue to operate its digital business in these countries. Management determined that the Company did not have sufficient scale in these markets to maximize the value-added model for product distribution, leading the Company to focus and invest in its higher-growth, higher-margin businesses. Results from the Divestitures were included within each reportable segment, which includes the Worldwide Barcode, Networking & Security and Worldwide Communications & Services segments.

During the quarter ended June 30, 2020, the Company recorded a pre-tax loss on sale classification of $88.9 million to reduce the carrying value of the Divestitures to its estimate of fair value (the net proceeds received at closing), less estimated costs to sell. As this loss was determined not to be attributable to any individual components in the Divestitures' net assets, it was reflected as a valuation allowance against the total assets of the Divestitures. During the quarter and nine months ended March 31, 2021, the Company recorded an additional pre-tax loss on disposal group of $0.7 million and $34.5 million, respectively. This loss includes the realization of cumulative translation adjustments of $0.0 million and $11.6 million for the quarter and nine months ended March 31, 2021, respectively. Additional losses during the quarter and nine months ended March 31, 2021 are primarily attributable to a reduction in the net proceeds received for the Divestitures.

The Company signed an agreement on July 23, 2020 with Intcomex for its businesses located in Latin America, outside of Brazil. The Company finalized the sale of the Latin America businesses on October 30, 2020. The Company also finalized the sale of the Europe and UK business on November 12, 2020. Total cash received for the sale of divestitures was $34.4 million.

Major components of net loss from discontinued operations for the quarters and nine months ended March 31, 2021 and 2020 were as follows:

	Quarter ended March 31,		Nine months ended March 31,	
	2021	**2020**	**2021**	**2020**
	(in thousands)		*(in thousands)*	
Net sales	**$ —**	$ 127,899	**$ 213,373**	$ 439,527
Cost of goods sold	**—**	117,669	**198,512**	400,158
Gross profit	**—**	10,230	**14,861**	39,369
Selling, general and administrative expenses	**—**	13,782	**17,291**	42,607
Depreciation expense	**—**	225	**—**	771
Intangible amortization expense	**—**	327	**—**	1,073
Operating loss	**—**	(4,104)	**(2,430)**	(5,082)
Interest expense, net	**—**	323	**394**	1,236
Loss on disposal group	**688**	—	**34,496**	—
Other (income) expense, net	**—**	433	**310**	(96)
Loss from discontinued operations before taxes	**(688)**	(4,860)	**(37,630)**	(6,222)
Income tax expense (benefit)	**—**	(858)	**17**	(1,197)
Net loss from discontinued operations	**$ (688)**	$ (4,002)	**$ (37,647)**	$ (5,025)

The major classes of assets and liabilities classified as held-for-sale in the accompanying consolidated balance sheets, were as follows as of March 31, 2021 and June 30, 2020:

	March 31, 2021		June 30, 2020
	(in thousands)		
Assets			
Current assets:			
Cash and cash equivalents	$	—	$ 4,970
Accounts receivable, net		—	117,200
Inventories, net		—	106,779
Prepaid expenses and other current assets		—	23,808
Total current assets		—	252,757
Property and equipment, net		—	1,833
Deferred income taxes		—	9,349
Other non-current assets		—	6,215
Total assets, before valuation allowance		—	270,154
Less: valuation allowance		—	(88,923)
Total assets, net of valuation allowance (1)	$	—	$ 181,231
Liabilities			
Current liabilities:			
Accounts payable	$	—	$ 56,098
Accrued expenses and other current liabilities		—	14,815
Other taxes payable		—	20,378
Short-term borrowings		—	3,524
Income tax payable		—	1,085
Total current liabilities		—	95,900
Borrowings under revolving credit facility		—	24,704
Other long-term liabilities		—	7,418
Total liabilities(1)	$	—	$ 128,022

(1) Total assets and liabilities of discontinued operations are classified in current assets and liabilities, respectively, in the Company's consolidated balance sheet as of June 30, 2020. The discontinued operations were disposed of during the quarter ended December 31, 2020.

Significant non-cash operating items and capital expenditures reflected in the cash flows from discontinued operations for the nine months ended March 31, 2021 and 2020 were as follows:

	Nine months ended March 31,	
	2021	2020
	(in thousands)	
Loss on disposal group	$ **34,496**	$ —
Depreciation and amortization	—	1,844
Capital expenditures	**(58)**	(48)

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

Overview

ScanSource is at the center of the technological solution delivery channel, connecting businesses and institutions and providing solutions for their complex needs. We provide technology solutions and services from leading suppliers of mobility and barcode, point-of-sale (POS), payments, physical security, unified communications and collaboration, telecom and cloud services to our customers. We serve approximately 30,000 sales partners located in the United States, Canada, Brazil, the UK and Europe and provide solutions and services from approximately 500 technology suppliers. Unless otherwise indicated, the amounts and analysis provided within Management's Discussion and Analysis of Financial Condition and Results of Operations pertain to our continuing operations only.

We operate our business under a management structure that enhances our technology market focus and growth strategy. We segment our business into two technology-focused areas that each operate in the United States, Canada, Brazil and the UK:

- Worldwide Barcode, Networking & Security
- Worldwide Communications & Services

We sell hardware, software, services and connectivity through channel partners to end-customers. For our hardware distribution, we sell products (i) to the United States and Canada from our facilities located in Mississippi, California and Kentucky and (ii) to Brazil primarily from facilities located in the Brazilian states of Parana, Espirito Santo and Santa Catarina. We also have drop shipment arrangements with some of our suppliers, which allow us to offer products to customers without taking physical delivery at our facilities. We provide some of our digital products, which include Software as a Service (“SaaS”) and subscriptions, through our CASCADE platform.

Our key suppliers include 8x8, ACC Business, AT&T, Aruba/HPE, Axis, AudioCodes, Avaya, Barco, Bematech, Cisco, Comcast Business, Datalogic, Dell, Elo, Epson, Extreme, Fortinet, Hanwha, Honeywell, HID, Ingenico, Intrado, Jabra, Lumen, March Networks, Masergy, Microsoft, Mitel, NCR, NICE inContact, Oracle, Panasonic, Poly, RingCentral, Samsung, Sony, Spectralink, Spectrum, Toshiba Global Commerce Solutions, TPx, Ubiquiti, Verifone, Verizon, Windstream, Zebra Technologies and Zoom. We also offer customers significant choices in cloud services through our Intelisys business, including offerings in contact center, infrastructure and unified communications.

Recent Developments

Impact of COVID-19 on our Business Environment

In early March 2020, the World Health Organization characterized COVID-19 as a pandemic. The rapid spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders and business shutdowns. The pandemic and these containment measures have had, and are expected to continue to have, a substantial impact on businesses around the world and on global, regional and national economies.

During the COVID-19 pandemic, our top priority is protecting the health and safety of our employees. We moved quickly to transition our employees, where possible, to a fully remote working environment. We have taken a number of measures to ensure our teams feel secure in their jobs and have the flexibility and resources they need to stay safe and healthy.

We have activated our contingency plans. We have deployed teams to monitor the rapidly evolving situation and recommend risk mitigation actions; we have implemented travel restrictions; and we are following physical distancing guidelines. We are following global guidance from authorities and health officials including, but not limited to, checking the temperature of associates when entering our facilities, requiring associates to wear masks and other protective clothing as appropriate, and implementing additional cleaning and sanitation routines. All of our distribution facilities have remained open and operational. Most of our office-based employees around the world are working remotely. Our employees have remained productive across all areas of our business, even while working remotely, and are committed to providing the high level of customer service our partners have grown to expect from us in order to achieve positive results.

We continue to monitor and assess the impacts of the COVID-19 pandemic. During the first nine months of our fiscal year, GAAP net sales declined 4.7% year-over-year while non-GAAP net sales, which exclude the negative impact of fluctuations in foreign currency translation, decreased 1.9% year-over-year.

In July 2020, we announced actions to address the business impacts of the COVID-19 pandemic and prepare for our next phase of growth. These actions included a $30 million annualized expense reduction plan. During the quarter and nine months ended March 31, 2021, we recognized approximately $0.6 million and $9.3 million, respectively, for restructuring and other charges, largely for severance and employee benefits for employees who left the Company as part of this plan. These actions are designed to better align the cost structure for our wholesale distribution business with lower sales volumes as a result of the

COVID-19 pandemic. As part of the plan, we are continuing to invest in our higher growth agency business, Intelisys. Strong growth for the Intelisys business has continued, even with the COVID-19 pandemic.

Our Strategy

We rely on a channel sales model offering hardware, software, services and connectivity from leading technology suppliers to sales partners that solve end customers' challenges. With our CASCADE platform, we also offer customers SaaS and subscription services from leading technology suppliers. While we do not manufacture products, we provide technology solutions and services from leading technology suppliers. Our solutions may include a combination of offerings from multiple suppliers or give our sales partners access to additional services, such as custom configuration, key injection, integration support, custom development and other services. We also offer the flexibility of on-premise, cloud and hybrid solutions.

As a trusted adviser to our sales partners, we provide more complete solutions through a better understanding of end customer needs. We drive growth through enhancing our sales partners' capabilities to provide hardware, software, services and connectivity solutions. Our teams deliver value-added support programs and services, including education and training, network assessments, implementation, custom development and marketing to help our sales partners extend their capabilities, develop new technology practices or reach new end customers.

Our objective is to grow profitable sales in the technologies we offer and expand in higher margin and adjacent markets to help our sales partners offer more products and services and increase recurring revenue opportunities. As part of our strategic plan, we consider strategic acquisitions and alliances to enhance our technology offerings and service capabilities.

Results of Operations from Continuing Operations

Net Sales

The following tables summarize our net sales results by technology segment and by geographic location for our continuing operations for the quarters and nine months ended March 31, 2021 and 2020:

Net Sales by Segment:	Quarter ended March 31, 2021	Quarter ended March 31, 2020	$ Change	% Change	% Change, Constant Currency, Excluding Divestitures and Acquisitions [(a)]
	(in thousands)				
Worldwide Barcode, Networking & Security	**$ 502,227**	$ 489,218	$ 13,009	2.7 %	3.5 %
Worldwide Communications & Services	**227,646**	255,366	(27,720)	(10.9) %	(6.8) %
Total net sales	**$ 729,873**	$ 744,584	$ (14,711)	(2.0) %	— %

	Nine months ended March 31, 2021	Nine months ended March 31, 2020	$ Change	% Change	% Change, Constant Currency, Excluding Planned Divestitures and Acquisitions [(a)]
	(in thousands)				
Worldwide Barcode, Networking & Security	**$ 1,577,197**	$ 1,645,406	$ (68,209)	(4.1) %	(2.9) %
Worldwide Communications & Services	**720,914**	765,879	(44,965)	(5.9) %	0.4 %
Total net sales	**$ 2,298,111**	$ 2,411,285	$ (113,174)	(4.7) %	(1.9) %

[(a)] A reconciliation of non-GAAP net sales in constant currency, excluding Divestitures and acquisitions is presented at the end of *Results of Operations*, under *Non-GAAP Financial Information.*

Worldwide Barcode, Networking & Security

The Worldwide Barcode, Networking & Security segment consists of sales to customers in North America and Brazil. For the quarter ended March 31, 2021, net sales for the Barcode, Networking & Security segment increased $13.0 million, or 2.7%, compared to the prior-year quarter. Excluding the foreign exchange negative impact, adjusted net sales increased $17.1 million, or 3.5%, for the quarter ended March 31, 2021 compared to the prior-year quarter. The increase in net sales and adjusted net sales is primarily due to increased sales in our business in North America and Brazil (in local currency). During the quarter, we saw continued progress in recovering from the sales impacts of the COVID-19 pandemic across key technologies in North America and Brazil.

Net sales decreased $68.2 million, or 4.1% for the nine months ended March 31, 2021 compared to the prior nine month period. Excluding the foreign exchange negative impact, adjusted net sales decreased $48.5 million, or 2.9%, compared to the prior nine month period. The decrease in net sales and adjusted net sales is primarily due to lower sales volume across North America, partially offset by sales growth in Brazil.

Worldwide Communications & Services

The Worldwide Communications & Services segment consists of sales to customers in North America, Brazil, Europe and the UK. For the quarter ended March 31, 2021, net sales decreased $27.7 million, or 10.9% compared to the prior-year quarter. Excluding the foreign exchange negative impact, adjusted net sales for the quarter ended March 31, 2021 decreased $17.2 million, or 6.8% from the quarter ended March 31, 2020. The decrease in net sales and adjusted net sales reflects lower sales volumes in North America, excluding Intelisys, partially offset by sales growth in Brazil (in local currency).

For the nine months ended March 31, 2021, net sales decreased $45.0 million, or 5.9% compared to the prior nine month period, primarily from decreases in sales volume in North America and Brazil. Excluding the foreign exchange negative impact, adjusted net sales increased $2.7 million, or 0.4%, primarily due to sales growth in Brazil (in local currency).

Net Sales by Geography:	Quarter ended March 31, 2021	2020	$ Change	% Change	% Change, Constant Currency, Excluding Divestitures and Acquisitions [a]
	(in thousands)				
United States and Canada	**$ 665,720**	$ 670,175	$ (4,455)	(0.7) %	(0.7) %
International	**64,153**	74,409	(10,256)	(13.8) %	5.8 %
Total net sales	**$ 729,873**	$ 744,584	$ (14,711)	(2.0) %	— %

	Nine months ended March 31, 2021	2020	$ Change	% Change	% Change, Constant Currency, Excluding Planned Divestitures and Acquisitions [a]
	(in thousands)				
United States and Canada	**$ 2,069,327**	$ 2,173,515	$ (104,188)	(4.8) %	(4.8) %
International	**228,784**	237,770	(8,986)	(3.8) %	24.6 %
Total net sales	**$ 2,298,111**	$ 2,411,285	$ (113,174)	(4.7) %	(1.9) %

[a] A reconciliation of non-GAAP net sales in constant currency, excluding Divestitures and acquisitions is presented at the end of *Results of Operations* in the non-GAAP section.

Gross Profit

The following tables summarize our gross profit for our continuing operations for the quarters and nine months ended March 31, 2021 and 2020:

	Quarter ended March 31, 2021	2020	$ Change	% Change	% of Net Sales March 31, 2021	2020
	(in thousands)					
Worldwide Barcode, Networking & Security	**$ 43,869**	$ 41,870	$ 1,999	4.8 %	**8.7 %**	8.6 %
Worldwide Communications & Services	**44,247**	42,708	1,539	3.6 %	**19.4 %**	16.7 %
Gross profit	**$ 88,116**	$ 84,578	$ 3,538	4.2 %	**12.1 %**	11.4 %

	Nine months ended March 31, 2021	2020	$ Change	% Change	% of Net Sales March 31, 2021	2020
	(in thousands)					
Worldwide Barcode, Networking & Security	**$ 127,639**	$ 143,293	$ (15,654)	(10.9) %	**8.1 %**	8.7 %
Worldwide Communications & Services	**127,300**	138,130	(10,830)	(7.8) %	**17.7 %**	18.0 %
Gross profit	**$ 254,939**	$ 281,423	$ (26,484)	(9.4) %	**11.1 %**	11.7 %

Worldwide Barcode, Networking & Security

Gross profit dollars and gross profit margin for the Worldwide Barcode, Networking & Security segment increased for the quarter ended March 31, 2021, primarily from increased sales volume and higher margin sales mix compared to the prior year quarter. For the nine months ended March 31, 2021, gross profit dollars and gross profit margin decreased due to lower vendor program recognition, compared to the prior-year period.

Worldwide Communications & Services

Gross profit dollars and gross profit margin increased for the Worldwide Communications & Services segment for the quarter ended March 31, 2021 primarily from a higher margin sales mix and higher vendor program recognition compared to the prior year quarter. For the nine months ended March 31, 2021, gross profit margin and gross profit dollars decreased, primarily from lower margin sales mix compared to the prior-year period, partially offset by the results contributed by our Intelisys recurring revenue business.

Operating Expenses

The following tables summarize our operating expenses for our continuing operations for the quarters and nine months ended March 31, 2021 and 2020:

	Quarter ended March 31,				% of Net Sales March 31,	
	2021	**2020**	**$ Change**	**% Change**	**2021**	**2020**
	(in thousands)					
Selling, general and administrative expenses	**$ 60,099**	$ 64,971	$ (4,872)	(7.5) %	**8.2 %**	8.7 %
Depreciation expense	**3,141**	3,268	(127)	(3.9) %	**0.4 %**	0.4 %
Intangible amortization expense	**4,880**	5,159	(279)	(5.4) %	**0.7 %**	0.7 %
Restructuring and other charges	**560**	169	391	**nm*	**0.1 %**	0.0 %
Change in fair value of contingent consideration	**—**	618	(618)	(100.0) %	**0.0 %**	0.1 %
Operating expenses	**$ 68,680**	$ 74,185	$ (5,505)	(7.4) %	**9.4 %**	10.0 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2021	**2020**	**$ Change**	**% Change**	**2021**	**2020**
	(in thousands)					
Selling, general and administrative expenses	**$ 182,681**	$ 201,344	$ (18,663)	(9.3) %	**7.9 %**	8.4 %
Depreciation expense	**9,634**	9,729	(95)	(1.0) %	**0.4 %**	0.4 %
Intangible amortization expense	**14,595**	15,007	(412)	(2.7) %	**0.6 %**	0.6 %
Restructuring and other charges	**9,312**	604	8,708	**nm*	**0.4 %**	0.0 %
Change in fair value of contingent consideration	**516**	6,266	(5,750)	(91.8) %	**0.0 %**	0.3 %
Operating expenses	**$ 216,738**	$ 232,950	$ (16,212)	(7.0) %	**9.4 %**	9.7 %

**nm - percentages are not meaningful*

Selling, general and administrative expenses ("SG&A") decreased $4.9 million and $18.7 million for the quarter and nine months ended March 31, 2021, respectively, compared to the prior-year periods due to lower employee costs and a decrease in travel expenses due to the COVID-19 pandemic. The decrease in employee costs for the quarter and nine months ended March 31, 2021 is a result of our expense reduction plan, which was implemented at the end of July 2020.

Amortization expense decreased $0.3 million and $0.4 million for the quarter and nine months ended March 31, 2021, respectively, compared to the prior-year periods largely due to Canpango intangible write-offs at the end of the prior fiscal year.

Restructuring and other charges incurred of $0.6 million and $9.3 million for the quarter and nine months ended March 31, 2021, respectively, primarily relate to employee severance and benefit costs in connection with our expense reduction plan implemented at the end of July 2020.

We recorded no expense for the change in fair value of contingent consideration for the quarter ended March 31, 2021 and $0.5 million for the nine months ended March 31, 2021, all of which relates to Intelisys. The expense from the change in fair value for the nine months ended March 31, 2021 is due to the amortization of the unrecognized fair value discount for the final Intelisys earnout payment, which was paid in October 2020.

Operating Income

The following tables summarize our operating income for our continuing operations for the quarters and nine months ended March 31, 2021 and 2020:

	Quarter ended March 31,				% of Net Sales March 31,	
	2021	2020	$ Change	% Change	2021	2020
	(in thousands)					
Worldwide Barcode, Networking & Security	**$ 8,054**	$ 4,779	$ 3,275	68.5 %	**1.6 %**	1.0 %
Worldwide Communications & Services	**12,214**	6,394	5,820	91.0 %	**5.4 %**	2.5 %
Corporate	**(832)**	(780)	(52)	nm*	**nm***	nm*
Operating income	**$ 19,436**	$ 10,393	$ 9,043	87.0 %	**2.7 %**	1.4 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2021	2020	$ Change	% Change	2021	2020
	(in thousands)					
Worldwide Barcode, Networking & Security	**$ 16,088**	$ 29,153	$ (13,065)	(44.8) %	**1.0 %**	1.8 %
Worldwide Communications & Services	**33,555**	22,009	11,546	52.5 %	**4.7 %**	2.9 %
Corporate	**(11,442)**	(2,689)	(8,753)	nm*	**nm***	nm*
Operating income	**$ 38,201**	$ 48,473	$ (10,272)	(21.2) %	**1.7 %**	2.0 %

**nm - percentages are not meaningful*

Worldwide Barcode, Networking & Security

For the Worldwide Barcode, Networking & Security segment, operating income increased $3.3 million and operating margin increased to 1.6% for the quarter ended March 31, 2021 compared to the prior-year quarter. The increase in operating income and margin for the quarter is due to higher gross profits and decreased operating expenses. Operating income decreased $13.1 million and operating margin decreased to 1.0% for the nine months ended March 31, 2021, compared to the prior-year period. The decreases for the nine months ended March 31, 2021 are due to lower gross profits, partially offset by lower SG&A expenses.

Worldwide Communications & Services

For the Worldwide Communications & Services segment, operating income increased $5.8 million and $11.5 million for the quarter and nine months ended March 31, 2021, respectively, and operating margin increased to 5.4% and 4.7% for the quarter and nine months ended March 31, 2021, respectively, compared to the prior-year periods. The increases in operating income and operating margin are primarily from lower SG&A expense, partially offset by lower gross profits for the nine months ended March 31, 2021.

Corporate

Corporate incurred $0.8 million and $11.4 million in restructuring and divestiture expenses for the quarter and nine months ended March 31, 2021, respectively, compared to $0.8 million and $2.7 million in acquisition and divestiture expenses for the quarter and nine months ended March 31, 2020, respectively.

Total Other (Income) Expense

The following tables summarize our total other (income) expense for our continuing operations for the quarters and nine months ended March 31, 2021 and 2020:

	Quarter ended March 31,				% of Net Sales March 31,	
	2021	2020	$ Change	% Change	2021	2020
	(in thousands)					
Interest expense	**$ 1,576**	$ 3,098	$ (1,522)	(49.1) %	**0.2 %**	0.4 %
Interest income	**(745)**	(1,080)	335	31.0 %	**(0.1)%**	(0.1)%
Net foreign exchange losses (gains)	**(41)**	(96)	55	57.3 %	**(0.0)%**	(0.0)%
Other, net	**(261)**	(41)	(220)	(536.6) %	**(0.0)%**	(0.0)%
Total other expense, net	**$ 529**	$ 1,881	$ (1,352)	(71.9) %	**0.1 %**	0.3 %

	Nine months ended March 31,				% of Net Sales March 31,	
	2021	2020	$ Change	% Change	2021	2020
	(in thousands)					
Interest expense	**$ 5,285**	$ 9,727	$ (4,442)	(45.7) %	**0.2 %**	0.4 %
Interest income	**(1,756)**	(2,627)	871	33.2 %	**(0.1)%**	(0.1)%
Net foreign exchange losses	**778**	86	692	804.7 %	**0.0 %**	0.0 %
Other, net	**(595)**	112	(707)	(631.3) %	**(0.0)%**	0.0 %
Total other expense, net	**$ 3,712**	$ 7,298	$ (3,586)	(49.1) %	**0.2 %**	0.3 %

Interest expense consists primarily of interest incurred on borrowings, non-utilization fees charged on the revolving credit facility and amortization of debt issuance costs. Interest expense decreased for the quarter and nine months ended March 31, 2021, compared to the prior-year quarter principally from reduced borrowings on our multi-currency revolving credit facility.

Interest income for the quarter and nine months ended March 31, 2021 was generated on interest-bearing customer receivables and interest earned on cash and cash equivalents. Interest income decreased for the quarter and nine months ended March 31, 2021, compared to the prior-year principally from lower interest earned on customer receivables in North America.

Net foreign exchange gains and losses consist of foreign currency transactional and functional currency re-measurements, offset by net foreign currency exchange contract gains and losses. Foreign exchange gains and losses are primarily generated as the result of fluctuations in the value of the U.S. dollar versus the Brazilian real, the British pound versus the euro, and the Canadian dollar versus the U.S. dollar. We partially offset foreign currency exposure with the use of foreign exchange forward contracts to hedge against these exposures. The costs associated with foreign exchange forward contracts are included in the net foreign exchange losses.

Provision for Income Taxes

For the quarter and nine months ended March 31, 2021, income tax expense was $5.1 million and $9.8 million, respectively, reflecting an effective tax rate of 27.1% and 28.3%, respectively. In comparison, for the quarter and nine months ended March 31, 2020, income tax expense totaled $2.8 million and $11.5 million, respectively, reflecting an effective tax rate of 32.9% and 28.0%, respectively. The decrease in the effective tax rate for the quarter is primarily due to the recognition of a net discrete tax benefit of $0.5 million. The increase in the effective tax rate for the nine months ended March 31, 2021 is primarily due to a change in geographical mix of income as compared to the prior-year. We expect the effective tax rate, excluding discrete items, for fiscal year 2021 to be approximately 28.25% to 29.25%. See Note 15 - *Income Taxes* to the Notes to Consolidated Financial Statements for further discussion.

Non-GAAP Financial Information

Evaluating Financial Condition and Operating Performance

In addition to disclosing results that are determined in accordance with United States generally accepted accounting principles ("US GAAP" or "GAAP"), we also disclose certain non-GAAP financial measures. These measures include non-GAAP operating income, non-GAAP pre-tax income, non-GAAP net income, non-GAAP EPS, return on invested capital ("ROIC") and "constant currency." Constant currency is a measure that excludes the translation exchange impact from changes in foreign currency exchange rates between reporting periods. We use non-GAAP financial measures to better understand and evaluate performance, including comparisons from period to period.

These non-GAAP financial measures have limitations as analytical tools, and the non-GAAP financial measures that we report may not be comparable to similarly titled amounts reported by other companies. Analysis of results and outlook on a non-GAAP basis should be considered in addition to, and not in substitution for or as superior to, measurements of financial performance prepared in accordance with US GAAP.

Return on Invested Capital

ROIC assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance. We believe the calculation of ROIC provides useful information to investors and is an additional relevant comparison of our performance during the year.

We calculate ROIC as earnings before interest expense, income taxes, depreciation and amortization, plus change in fair value of contingent consideration and other non-GAAP adjustments ("adjusted EBITDA"), divided by invested capital. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period. The following table summarizes annualized ROIC for the quarters ended March 31, 2021 and 2020, respectively:

	Quarter ended March 31,	
	2021	**2020**
Return on invested capital ratio, annualized [(a)]	**13.6 %**	6.0 %

(a) The annualized EBITDA amount is divided by days in the quarter times 365 days per year, or 366 days for leap year. There were 90 days in the current quarter and 91 days in the prior-year quarter.

The components of this calculation and reconciliation to our financial statements are shown on the following schedule:

	Quarter ended March 31,	
	2021	**2020**
	(in thousands)	
Reconciliation of net income to EBITDA:		
Net income from continuing operations (GAAP)	**$ 13,786**	$ 5,715
Plus: Interest expense	**1,576**	3,098
Plus: Income taxes	**5,121**	2,797
Plus: Depreciation and amortization	**8,358**	8,987
EBITDA (non-GAAP)	**28,841**	20,597
Plus: Change in fair value of contingent consideration	**—**	618
Plus: Acquisition and divestiture costs [(a)]	**272**	780
Plus: Restructuring costs	**349**	169
Plus: Tax recovery	**—**	(2,320)
Adjusted EBITDA (numerator for ROIC) (non-GAAP)	**$ 29,462**	$ 19,844

	Quarter ended March 31, 2021	2020
	(in thousands)	
Invested capital calculations:		
Equity – beginning of the quarter [(b)]	**$ 682,139**	$ 927,580
Equity – end of the quarter [(b)]	**690,575**	897,678
Plus: Change in fair value of contingent consideration, net of tax	**—**	467
Plus: Acquisition and divestiture costs [(a)]	**272**	780
Plus: Restructuring, net of tax	**264**	125
Plus: Tax recovery, net of tax	**—**	(1,754)
Plus: Discontinued operations net loss	**688**	4,002
Average equity	**686,969**	914,439
Average funded debt [(c)]	**191,996**	405,533
Invested capital (denominator for ROIC) (non-GAAP)	**$ 878,965**	$ 1,319,972

(a) Acquisition and divestiture costs are generally nondeductible for tax purposes.

(b) In the quarter ending June 30, 2020, the Company recorded impairment charges of $120.5 million. Impairment charges, net of tax reduced equity by $114.4 million.

(c) Average funded debt is calculated as the daily average amounts outstanding on our short-term and long-term interest-bearing debt.

Net Sales in Constant Currency, Excluding Acquisitions and Divestitures

We make references to "constant currency," a non-GAAP performance measure that excludes the foreign exchange rate impact from fluctuations in the average foreign exchange rates between reporting periods. Constant currency is calculated by translating current period results from currencies other than the U.S. dollar into U.S. dollars using the comparable average foreign exchange rates from the prior year period. If applicable, we also exclude the impact of acquisitions prior to the first full year of operations from the acquisition date and the impact of Divestitures in order to show net sales results on an organic basis. This information is provided to analyze underlying trends without the translation impact of fluctuations in foreign currency rates and, the impact of Divestitures and acquisitions, if applicable. Below we show organic growth by providing a non-GAAP reconciliation of net sales in constant currency, excluding Divestitures:

Net Sales by Segment:

	Quarter ended March 31, 2021	2020	$ Change	% Change
Worldwide Barcode, Networking & Security:	(in thousands)			
Net sales, reported	**$ 502,227**	$ 489,218	$ 13,009	2.7 %
Foreign exchange impact [(a)]	**4,132**	—		
Non-GAAP net sales, constant currency	**$ 506,359**	$ 489,218	$ 17,141	3.5 %
Worldwide Communications & Services:				
Net sales, reported	**$ 227,646**	$ 255,366	$ (27,720)	(10.9)%
Foreign exchange impact [(a)]	**10,476**	—		
Non-GAAP net sales, constant currency	**$ 238,122**	$ 255,366	$ (17,244)	(6.8)%
Consolidated:				
Net sales, reported	**$ 729,873**	$ 744,584	$ (14,711)	(2.0)%
Foreign exchange impact [(a)]	**14,608**	—		
Non-GAAP net sales, constant currency	**$ 744,481**	$ 744,584	$ (103)	— %

[(a)] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended March 31, 2021 into U.S. dollars using the average foreign exchange rates for the quarter ended March 31, 2020.

Net Sales by Segment:

	Nine months ended March 31,			
	2021	2020	$ Change	% Change
Worldwide Barcode, Networking & Security:	*(in thousands)*			
Net sales, reported	**$ 1,577,197**	$ 1,645,406	$ (68,209)	(4.1) %
Foreign exchange impact (a)	**19,758**	—		
Non-GAAP net sales, constant currency	**$ 1,596,955**	$ 1,645,406	$ (48,451)	(2.9) %
Worldwide Communications & Services:				
Net sales, reported	**$ 720,914**	$ 765,879	$ (44,965)	(5.9) %
Foreign exchange impact (a)	**47,694**	—		
Non-GAAP net sales, constant currency	**$ 768,608**	$ 765,879	$ 2,729	0.4 %
Consolidated:				
Net sales, reported	**$ 2,298,111**	$ 2,411,285	$ (113,174)	(4.7) %
Foreign exchange impact (a)	**67,452**	—		
Non-GAAP net sales, constant currency	**$ 2,365,563**	$ 2,411,285	$ (45,722)	(1.9) %

(a) Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the nine months ended March 31, 2021 into U.S. dollars using the average foreign exchange rates for the nine months ended March 31, 2020.

Net Sales by Geography:

	Quarter ended March 31,			
	2021	2020	$ Change	% Change
United States and Canada:	*(in thousands)*			
Net sales, as reported	**$ 665,720**	$ 670,175	$ (4,455)	(0.7)%
International:				
Net sales, reported	**$ 64,153**	$ 74,409	$ (10,256)	(13.8)%
Foreign exchange impact [a]	**14,608**	—		
Non-GAAP net sales, constant currency	**$ 78,761**	$ 74,409	$ 4,352	5.8 %
Consolidated:				
Net sales, reported	**$ 729,873**	$ 744,584	$ (14,711)	(2.0)%
Foreign exchange impact [a]	**14,608**	—		
Non-GAAP net sales, constant currency	**$ 744,481**	$ 744,584	$ (103)	— %

[a] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the quarter ended March 31, 2021 into U.S. dollars using the average foreign exchange rates for the quarter ended March 31, 2020.

	Nine months ended March 31,			
	2021	2020	$ Change	% Change
United States and Canada:	*(in thousands)*			
Net sales, as reported	**$ 2,069,327**	$ 2,173,515	$ (104,188)	(4.8)%
International:				
Net sales, reported	**$ 228,784**	$ 237,770	$ (8,986)	(3.8)%
Foreign exchange impact [a]	**67,452**	—		
Non-GAAP net sales, constant currency	**$ 296,236**	$ 237,770	$ 58,466	24.6 %
Consolidated:				
Net sales, reported	**$ 2,298,111**	$ 2,411,285	$ (113,174)	(4.7)%
Foreign exchange impact [a]	**67,452**	—		
Non-GAAP net sales, constant currency	**$ 2,365,563**	$ 2,411,285	$ (45,722)	(1.9)%

[a] Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the nine months ended March 31, 2021 into U.S. dollars using the average foreign exchange rates for the nine months ended March 31, 2020.

Operating Income by Segment:

	Quarter ended March 31, 2021	Quarter ended March 31, 2020	$ Change	% Change	% of Net Sales March 31, 2021	% of Net Sales March 31, 2020
Worldwide Barcode, Networking & Security:	*(in thousands)*					
GAAP operating income	**$ 8,054**	$ 4,779	$ 3,275	68.5 %	**1.6 %**	1.0 %
Adjustments:						
Amortization of intangible assets	**1,968**	1,968	—			
Tax recovery, net	**—**	(1,452)	1,452			
Non-GAAP operating income	**$ 10,022**	$ 5,295	$ 4,727	89.3 %	**2.0 %**	1.1 %
Worldwide Communications & Services:						
GAAP operating income	**$ 12,214**	$ 6,394	$ 5,820	91.0 %	**5.4 %**	2.5 %
Adjustments:						
Amortization of intangible assets	**2,912**	3,191	(279)			
Change in fair value of contingent consideration	**—**	618	(618)			
Restructuring costs	**—**	169	(169)			
Tax recovery, net	**—**	(868)	868			
Non-GAAP operating income	**$ 15,126**	$ 9,504	$ 5,622	59.2 %	**6.6 %**	3.7 %
Corporate:						
GAAP operating income	**$ (832)**	$ (780)	$ (52)	nm*	**nm***	nm*
Adjustments:						
Restructuring costs	**560**	—	560			
Acquisition and divestiture costs	**272**	780	(508)			
Non-GAAP operating income	**$ —**	$ —	$ —	nm*	**nm***	nm*
Consolidated:						
GAAP operating income	**$ 19,436**	$ 10,393	$ 9,043	87.0 %	**2.7 %**	1.4 %
Adjustments:						
Amortization of intangible assets	**4,880**	5,159	(279)			
Change in fair value of contingent consideration	**—**	618	(618)			
Tax recovery, net	**—**	(2,320)	2,320			
Acquisition and divestiture costs	**272**	780	(508)			
Restructuring costs	**560**	169	391			
Non-GAAP operating income	**$ 25,148**	$ 14,799	$ 10,349	69.9 %	**3.4 %**	2.0 %

Operating Income by Segment:

	Nine months ended March 31, 2021	Nine months ended March 31, 2020	$ Change	% Change	% of Net Sales March 31, 2021	% of Net Sales March 31, 2020
Worldwide Barcode, Networking & Security:	*(in thousands)*					
GAAP operating income	**$ 16,088**	$ 29,153	$ (13,065)	(44.8)%	**1.0 %**	1.8 %
Adjustments:						
Amortization of intangible assets	**5,903**	5,903	—			
Tax recovery, net	—	(1,452)	1,452			
Non-GAAP operating income	**$ 21,991**	$ 33,604	$ (11,613)	(34.6)%	**1.4 %**	2.0 %
Worldwide Communications & Services:						
GAAP operating income	**$ 33,555**	$ 22,009	$ 11,546	52.5 %	**4.7 %**	2.9 %
Adjustments:						
Amortization of intangible assets	**8,692**	9,104	(412)			
Change in fair value of contingent consideration	**516**	6,266	(5,750)			
Tax recovery, net	—	(868)	868			
Restructuring costs	—	604	(604)			
Non-GAAP operating income	**$ 42,763**	$ 37,115	$ 5,648	15.2 %	**5.9 %**	4.8 %
Corporate:						
GAAP operating income	**$ (11,442)**	$ (2,689)	$ (8,753)	nm*	**nm***	nm*
Adjustments:						
Acquisition and divestiture costs	**2,130**	2,689	(559)			
Restructuring costs	**9,312**	—	9,312			
Non-GAAP operating income	**$ —**	**$ —**	$ —	nm*	**nm***	nm*
Consolidated:						
GAAP operating income	**$ 38,201**	$ 48,473	$ (10,272)	(21.2)%	**1.7 %**	2.0 %
Adjustments:						
Amortization of intangible assets	**14,595**	15,007	(412)			
Change in fair value of contingent consideration	**516**	6,266	(5,750)			
Tax recovery, net	—	(2,320)	2,320			
Acquisition and divestiture costs	**2,130**	2,689	(559)			
Restructuring costs	**9,312**	604	8,708			
Non-GAAP operating income	**64,754**	70,719	$ (5,965)	(8.4)%	**2.8 %**	2.9 %

Income Statement Non-GAAP Metrics

To evaluate current period performance on a more consistent basis with prior periods, we disclose non-GAAP net sales, non-GAAP gross profit, non-GAAP operating income, non-GAAP net other expense, non-GAAP pre-tax income, non-GAAP net income and non-GAAP diluted earnings per share. Non-GAAP results exclude amortization of intangible assets related to acquisitions, changes in fair value of contingent consideration, acquisition and divestiture costs, restructuring costs, impact of Divestitures and other non-GAAP adjustments. These year-over-year metrics include the translation impact of changes in foreign currency exchange rates. These metrics are useful in assessing and understanding our operating performance, especially when comparing results with previous periods or forecasting performance for future periods. Below we provide a non-GAAP reconciliation of the aforementioned metrics adjusted for the costs and charges mentioned above:

	Quarter ended March 31, 2021						
	GAAP Measure	**Intangible amortization expense**	**Change in fair value of contingent consideration**	**Acquisition and divestiture costs**	**Restructuring costs**	**Tax recovery, net**	**Non-GAAP measure**
	(in thousands, except per share data)						
Net sales	**$ 729,873**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 729,873**
Gross profit	**88,116**	**—**	**—**	**—**	**—**	**—**	**88,116**
Operating income	**19,436**	**4,880**	**—**	**272**	**560**	**—**	**25,148**
Other expense, net	**529**	**—**	**—**	**—**	**—**	**—**	**529**
Pre-tax income	**18,907**	**4,880**	**—**	**272**	**560**	**—**	**24,619**
Net income from continuing operations	**13,786**	**3,697**	**—**	**272**	**423**	**—**	**18,178**
Diluted EPS from continuing operations	**$ 0.54**	**$ 0.14**	**$ —**	**$ 0.01**	**$ 0.02**	**$ —**	**$ 0.71**

	Quarter ended March 31, 2020						
	GAAP Measure	**Intangible amortization expense**	**Change in fair value of contingent consideration**	**Acquisition and divestiture**	**Restructuring costs**	**Tax recovery, net**	**Non-GAAP measure**
	(in thousands, except per share data)						
Net sales	$ 744,584	$ —	$ —	$ —	$ —	$ —	$ 744,584
Gross profit	84,578	—	—	—	—	—	84,578
Operating income	10,393	5,159	618	780	169	(2,320)	14,799
Other expense, net	1,881	—	—	—	—	—	1,881
Pre-tax income	8,512	5,159	618	780	169	(2,320)	12,918
Net income from continuing operations	5,715	3,909	467	780	125	(1,754)	9,242
Diluted EPS from continuing operations	$ 0.23	$ 0.15	$ 0.02	$ 0.03	$ —	$ (0.07)	$ 0.36

	Nine months ended March 31, 2021						
	GAAP Measure	**Intangible amortization expense**	**Change in fair value of contingent consideration**	**Acquisition and divestiture costs**	**Restructuring costs**	**Tax recovery, net**	**Non-GAAP measure**
	(in thousands, except per share data)						
Net sales	**$ 2,298,111**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 2,298,111**
Gross profit	**254,939**	**—**	**—**	**—**	**—**	**—**	**254,939**
Operating income	**38,201**	**14,595**	**516**	**2,130**	**9,312**	**—**	**64,754**
Other expense, net	**3,712**	**—**	**—**	**—**	**—**	**—**	**3,712**
Pre-tax income	**34,489**	**14,595**	**516**	**2,130**	**9,312**	**—**	**61,042**
Net income from continuing operations	**24,732**	**11,055**	**390**	**2,130**	**7,040**	**—**	**45,347**
Diluted EPS from continuing operations	**$ 0.97**	**$ 0.43**	**$ 0.02**	**$ 0.08**	**$ 0.28**	**$ —**	**$ 1.78**

	Nine months ended March 31, 2020						
	GAAP Measure	**Intangible amortization expense**	**Change in fair value of contingent consideration**	**Acquisition and divestiture**	**Restructuring costs**	**Tax recovery, net**	**Non-GAAP measure**
	(in thousands, except per share data)						
Net sales	$ 2,411,285	$ —	$ —	$ —	$ —	$ —	$ 2,411,285
Gross profit	281,423	—	—	—	—	—	281,423
Operating income	48,473	15,007	6,266	2,689	604	(2,320)	70,719
Other expense, net	7,298	—	—	—	—	—	7,298
Pre-tax income	41,175	15,007	6,266	2,689	604	(2,320)	63,421
Net income from continuing operations	29,633	11,347	4,737	2,689	449	(1,754)	47,101
Diluted EPS from continuing operations	$ 1.16	$ 0.45	$ 0.19	$ 0.11	$ 0.02	$ (0.07)	$ 1.85

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our $350 million revolving credit facility. Our business requires significant investment in working capital, particularly accounts receivable and inventory, partially financed through our accounts payable to vendors, cash generated from operations and revolving lines of credit. In general, as our sales volumes increase, our net investment in working capital increases, which typically results in decreased cash flow from operating activities. Conversely, when sales volumes decrease, our net investment in working capital typically decreases, which typically results in increased cash flow from operating activities.

Our cash and cash equivalents balance totaled $49.3 million at March 31, 2021, compared to $29.5 million at June 30, 2020, including $42.3 million and $23.6 million held outside of the United States at March 31, 2021 and June 30, 2020, respectively. Checks released but not yet cleared in the amounts of $17.0 million and $17.1 million are included in accounts payable at March 31, 2021 and June 30, 2020, respectively.

We conduct business in many locations throughout the world where we generate and use cash. We provide for U.S. income taxes for the earnings of our Canadian subsidiary, but earnings from Brazil will continue to be considered retained indefinitely for reinvestment. All other foreign geographies are immaterial. It has been our practice to reinvest those earnings in the businesses outside the United States. As a result of the sale of the Latin American and European entities, we repatriated the proceeds to the United States with minimal tax consequences.
Our net investment in working capital at March 31, 2021 was $495.1 million, compared to $431.3 million at June 30, 2020 and $513.5 million at March 31, 2020. Our net investment in working capital is affected by several factors such as fluctuations in sales volume, net income, timing of collections from customers, increases and decreases to inventory levels and payments to vendors.

	Nine months ended March 31,	
	2021	**2020**
Cash provided by (used in):	*(in thousands)*	
Operating activities	**$ 55,422**	$ 108,083
Investing activities	**32,073**	(55,490)
Financing activities	**(62,839)**	(88,355)
Effect of exchange rate change on cash and cash equivalents	**(1,942)**	(2,151)
Increase in cash and cash equivalents	**$ 14,866**	$ 10,778

Net cash provided by operating activities was $55.4 million for the nine months ended March 31, 2021, compared to $108.1 million provided in the prior-year period. Cash provided by operating activities for the nine months ended March 31, 2021 is primarily attributable to cash provided by increased accounts payable and earnings from operations adjusted for non-cash items, partially offset by increased accounts receivable. Cash provided by operating activities for the nine months ended March 31, 2020 is primarily attributable to earnings from operations adjusted for non-cash items and increased accounts payable.

The number of days sales outstanding ("DSO") was 63 days at March 31, 2021, compared to 63 days at June 30, 2020 and 61 days at March 31, 2020. Inventory turned 5.8 times during the quarter ended March 31, 2021, compared to 6.9 times for previous quarter ended December 31, 2020 and 4.5 times in the prior-year quarter ended March 31, 2020.

Cash provided by investing activities for the nine months ended March 31, 2021 was $32.1 million, compared to $55.5 million used in the prior-year period. Cash provided by investing activities primarily represents the sale of our discontinued operations in the nine months ended March 31, 2021. The prior-year period includes cash of $48.9 million used for the acquisition of intY.

Management expects capital expenditures for fiscal year 2021 to range from $3 million to $5 million, primarily for IT investments and facility improvements.

For the nine months ended March 31, 2021, cash used for financing activities totaled $62.8 million, compared to $88.4 million used in the prior-year period. Cash used for financing activities for both periods was primarily for repayments on the revolving credit facility and contingent consideration payments to the former shareholders of Intelisys.

Credit Facility

We have a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks. On April 30, 2019, we amended this credit facility to expand the borrowing capacity and extend its maturity to April 30, 2024. The Amended Credit Agreement established (i) a five-year $350 million multi-currency senior secured revolving credit facility and (ii) a five-year $150 million senior secured term loan facility. Pursuant to an “accordion feature,” we may increase borrowings up to an additional $250 million. The Amended Credit Agreement allows for the issuance of up to $50 million for letters of credit, subject to obtaining additional credit commitments from the lenders participating in the increase.

At our option, loans under the Amended Credit Agreement, other than swingline loans, bear interest at a rate equal to a spread over the London Interbank Offered Rate ("LIBOR") or alternate base rate depending upon the our net leverage ratio, calculated as total debt less up to $15 million of unrestricted domestic cash to trailing four-quarter adjusted EBITDA.

This spread ranges from 1.00% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for alternate base rate loans. The Amended Credit Agreement provides for the substitution of a new interest rate benchmark upon the transition from LIBOR, subject to agreement between the Company and the administrative agent. The Amended Credit Agreement contains customary yield protection provisions. Additionally, we are assessed commitment fees ranging from 0.15% to 0.30%, depending upon the Leverage Ratio, on non-utilized borrowing availability, excluding swingline loans. The secured term loan facility will amortize based on the percentage of original principal amount with 2.5% in Year 1, 5.0% in Year 2, 5.0% in Year 3, 7.5% in Year 4 and 10.0% in Year 5. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of our domestic assets and a pledge of up to 65% of capital stock or other equity interest in certain foreign subsidiaries determined to be either material or a subsidiary borrower as defined in the Amended Credit Agreement.

The Amended Credit Agreement includes customary representations, warranties, and affirmative and negative covenants, including financial covenants. Specifically, our Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 at the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. We were in compliance with all covenants under the credit facility at March 31, 2021. Including borrowings for both continuing and discontinued operations, there was $53.8 million and $92.4 million in outstanding borrowings on our revolving credit facility at March 31, 2021 and June 30, 2020, respectively.

Including borrowings for both continuing and discontinued operations, the average daily balance for the revolving credit facility, excluding the term loan facility, was $62.1 million and $252.4 million for the nine month periods ended March 31, 2021 and 2020, respectively. There were no letters of credit issued under the multi-currency revolving credit facility at March 31, 2021 and $0.3 million at June 30, 2020, respectively. Taking into consideration outstanding borrowings on the multi-currency revolving credit facility for both continuing and discontinued operations, there was $296.2 million and $257.3 million available for additional borrowings at March 31, 2021 and June 30, 2020, respectively. Availability to use this borrowing capacity depends upon, among other things, the levels of our Leverage Ratio and Interest Coverage Ratio, which, in turn, will depend upon (1) our Credit Facility Net Debt relative to our Credit Facility EBITDA and (2) Credit Facility EBITDA relative to total interest expense, respectively. As a result, our availability will increase if EBITDA increases (subject to the limit of the facility) and decrease if EBITDA decreases. At March 31, 2021, based upon the calculation of our Credit Facility Net Debt relative to our Credit Facility EBITDA, there was $172.6 million available for borrowing. While we were in compliance with the financial covenants contained in the Credit Facility as of March 31, 2021, and currently expect to continue to maintain such compliance, should we encounter difficulties, our historical relationship with our Credit Facility lending group has been strong and we anticipate their continued support of our long-term business.

We had a bank overdraft facility with Bank of America used by our European subsidiaries, which was terminated with the sale of the Europe distribution business in November 2020. The facility allowed us to disburse checks in excess of bank balances up to $14.0 million U.S. dollar equivalent for up to seven days. Borrowings under the overdraft facility had interest at a rate equal to a spread of 1.0% over the applicable currency's LIBOR with a zero percent floor. There was no outstanding balance on the overdraft facility at March 31, 2021 and $3.5 million was outstanding for the discontinued operations at June 30, 2020.

Earnout Payments

Related to the acquisition on August 29, 2016, the final earnout payment for Intelisys, which totaled $46.9 million, was paid in October 2020, funded by borrowings on our revolving credit facility.

Summary

We believe that our existing sources of liquidity, including cash resources and cash provided by operating activities, supplemented as necessary with funds under our credit agreements, will provide sufficient resources to meet the present and future working capital and cash requirements for at least the next twelve months.

Off-Balance Sheet Arrangements and Contractual Obligations

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect or change on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term “off-balance sheet arrangement” generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the company is a party, under which the company has (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

See Note 10 - *Fair Value of Financial Instruments* for a discussion on the liabilities recorded. There have been no other material changes in our contractual obligations and commitments disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020.

Accounting Standards Recently Issued

See Note 1 of the Notes to Condensed Consolidated Financial Statements for a full description of recent accounting pronouncements, including the anticipated dates of adoption and the effects on our consolidated financial position and results of operations.

Critical Accounting Policies and Estimates

Critical accounting policies are those that are important to our financial condition and require management's most difficult, subjective or complex judgments. Different amounts would be reported under different operating conditions or under alternative assumptions. See Management's Discussion and Analysis of Financial Condition and Results from Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 for a complete discussion.

Allowances for Trade and Notes Receivable

We adopted ASU 2016-13, *Financial Instruments - Credit Losses (ASC Topic 326)* effective July 1, 2020. The adoption did not have a material impact on our consolidated financial statements. Our policy for estimating allowance for doubtful accounts receivable is described below.

We maintain an allowance for doubtful accounts receivable for estimated future expected credit losses resulting from customers’ failure to make payments on accounts receivable due us. Management determines the estimate of the allowance for doubtful accounts receivable by considering a number of factors, including: (i) historical experience, (ii) aging of the accounts receivable, (iii) specific information obtained by us on the financial condition and the current creditworthiness of its customers, (iv) the current economic and country-specific environment and (v) reasonable and supportable forecasts about collectability. Expected credit losses are estimated on a pool basis when similar risk characteristics exist using an age-based reserve model. Receivables that do not share risk characteristics are evaluated on an individual basis. Estimates of expected credit losses on trade receivables over the contractual life are recorded at inception.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For a description of our market risks, see Part II, Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020. No material changes have occurred to our market risks since June 30, 2020.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the effectiveness of our disclosure controls and procedures at March 31, 2021. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures are effective at March 31, 2021. During the quarter and nine months ended March 31, 2021, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and our subsidiaries are, from time to time, parties to lawsuits arising out of operations. Although there can be no assurance, based upon information known to us, we believe that any liability resulting from an adverse determination of such lawsuits would not have a material adverse effect on our financial condition or results of operations. For a description of our material legal proceedings, see Note 13 - *Commitments and Contingencies* in the notes to the condensed consolidated financial statements, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the risk factors discussed in our other reports and statements that we file with the SEC, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2020, which could materially affect our business, financial condition and/or future operating results.

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

On August 29, 2016, we announced a Board of Directors ("BOD") authorization to repurchase shares up to $120 million of our common stock over three years. The share repurchase authorization expired in August 2019. Final share repurchases under this authorization occurred during the quarter ended September 30, 2019, totaling 168,068 shares for $5.4 million.

We have never declared or paid a cash dividend. Under the terms of our credit facility, the payment of cash dividends is restricted.

Item 6. Exhibits

Exhibit Number	Description
10.1	Amendment No. 16 to Cisco Nonexclusive Value Added Distributor Agreement
10.2	Amendment No. 17 to Cisco Nonexclusive Value Added Distributor Agreement
10.3	ScanSource, Inc. Nonqualified Deferred Compensation Plan, as Amended and Restated Effective January 1, 2021
31.1	Certification of the Chief Executive Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer, Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets at March 31, 2021 and June 30, 2020; (ii) the Condensed Consolidated Income Statements for the quarter and nine months ended March 31, 2021 and 2020; (iii) the Condensed Consolidated Statements of Comprehensive (Loss) Income for the quarter and nine months ended March 31, 2021 and 2020; (iv) the Condensed Consolidated Statements of Shareholder's Equity at March 31, 2021 and 2020; (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended March 31, 2021 and 2020; and (vi) the Notes to the Condensed Consolidated Financial Statements. The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL
104	Cover page Inline XBRL File (Included in Exhibit 101)

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 thereunto duly authorized.

		ScanSource, Inc.
		/s/ MICHAEL L. BAUR
		Michael L. Baur
Date:	May 10, 2021	Chairman and Chief Executive Officer (Principal Executive Officer)
		/s/ STEVE JONES
		Steve Jones
Date:	May 10, 2021	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)

**AMENDMENT NO. 16 TO THE
NONEXCLUSIVE VALUE ADDED DISTRIBUTOR AGREEMENT**

This Amendment No. 16 (the "Amendment") to the Nonexclusive Value Added Distributor Agreement by and between ScanSource, Inc., a South Carolina corporation with a place of business at 6 Logue Court, Greenville, South Carolina 29615 ("Distributor") and Cisco Systems, Inc., a California corporation having its principal place of business at 170 West Tasman Drive, San Jose, California 95134 ("Cisco") is effective as of the date of last signature below (the "Amendment Effective Date").

WHEREAS, Cisco and Distributor previously entered into a Nonexclusive Value Added Distributor Agreement dated January 22, 2007, as amended (the "Agreement"); and

WHEREAS, the parties wish to extend the term of the Agreement;

NOW THEREFORE, the parties agree as follows:

1. The term of the Agreement is hereby renewed for a period of two (2) years following the Amendment Effective Date, unless sooner terminated as provided for in the Agreement. If the Agreement expired prior to the Amendment Effective Date, any orders received, and Products and Services purchased, between the date of expiration and the Amendment Effective Date shall be in all respects deemed made under the Agreement as in effect prior to this Amendment. The parties further agree that if Distributor places Purchase Orders after the expiration of the Agreement, and Cisco accepts such Purchase Orders, then any such Purchase Orders shall be governed by the terms and conditions of the Agreement; provided, however, that acceptance by Cisco or any Purchase Order placed after the Agreement has expired will not be considered as an extension of the term of the Agreement nor a renewal thereof. Each party acknowledges that the Agreement shall always be interpreted as being limited in duration to a definite term and that the other party has made no commitments whatsoever regarding the renewal of the Agreement beyond those expressly agreed in writing.
2. This Amendment may be executed in one or more counterparts, each of which when executed and delivered will be an original and all of which together will constitute one and the same instrument. Electronic signatures will be deemed to be equivalent to original signatures for purposes of this Amendment.
3. All capitalized terms contained herein shall have the same meaning as the terms defined in the Agreement unless specifically modified in this Amendment. All other terms of the Agreement remain the same and in full effect.

(signatures on following page)

Exhibit 10.1

IN WITNESS WHEREOF, the parties hereto have each duly executed this Amendment effective as of the Amendment Effective Date. Each party warrants and represents that its respective signatories whose signatures appear below have been and are, on the date of signature, authorized to execute this Amendment.

Cisco Systems, Inc		**ScanSource, Inc.**	
By:	/s/ Jennifer Pate	By:	/s/ Kristin Hill
Name:	Jenn Pate	Name:	Kristin Hill
Title:	Authorized Signatory	Title:	Vice President, Supplier Services
Date:	January 22, 2021	Date:	January 22, 2021

Exhibit 10.2

**AMENDMENT NO. 17 TO THE
NONEXCLUSIVE VALUE ADDED DISTRIBUTOR AGREEMENT**

This Amendment No. 17 (the "Amendment") to the Nonexclusive Value Added Distributor Agreement by and between ScanSource, Inc., a South Carolina corporation with a place of business at 6 Logue Court, Greenville, South Carolina 29615 ("Distributor") and Cisco Systems, Inc., a California corporation having its principal place of business at 170 West Tasman Drive, San Jose, California 95134 ("Cisco") is effective as of the date of last signature below (the "Amendment Effective Date").

WHEREAS, Cisco and Distributor previously entered into a Nonexclusive Value Added Distributor Agreement dated January 22, 2007, as amended (the "Agreement"); and

WHEREAS, the parties wish to amend the Agreement to include Brazil as part of Distributor's Territory;

NOW THEREFORE, the parties agree as follows:

1. Exhibit A (Territory) of the Agreement is hereby modified to add Brazil to Distributor's Territory as of the Amendment Effective Date.

2. This Amendment may be executed in one or more counterparts, each of which when executed and delivered will be an original and all of which together will constitute one and the same instrument. Electronic signatures will be deemed to be equivalent to original signatures for purposes of this Amendment.

3. All capitalized terms contained herein shall have the same meaning as the terms defined in the Agreement unless specifically modified in this Amendment. All other terms of the Agreement remain the same and in full effect.

(*signatures on following page*)

Exhibit 10.2

IN WITNESS WHEREOF, the parties hereto have each duly executed this Amendment effective as of the Amendment Effective Date. Each party warrants and represents that its respective signatories whose signatures appear below have been and are, on the date of signature, authorized to execute this Amendment.

Cisco Systems, Inc.		**ScanSource, Inc.**	
By:	/s/ Jenn Pate	By:	/s/ Brian Cuppett
Name:	Jenn Pate	Name:	Brian Cuppett
Title:	Authorized Signatory	Title:	SVP Supplier Organization
Date	March 5, 2021	Date	March 3, 2021

Exhibit 10.3

SCANSOURCE, INC.
NONQUALIFIED DEFERRED COMPENSATION PLAN
As Amended and Restated Effective January 1, 2021

SECTION 1
Purpose and Administration

1.1 Name of Plan. ScanSource, Inc. (the "Company") has adopted this amended and restated ScanSource, Inc. Nonqualified Deferred Compensation Plan (the "Plan"), as set forth herein.

1.2 Effective Date of Amended and Restated Plan. The Plan was originally established effective July 1, 2004, amended and restated effective as of January 1, 2015 and amended again effective as of November 28, 2018 and as of January 1, 2019. This document sets forth the terms of the Plan as amended and restated effective as of January 1, 2021. The terms of the Plan as in effect prior to this amendment and restatement shall govern the operation of the Plan prior to this amendment and restatement (except that the balance credited to a Participant's Participating Employer Contribution Account shall become fully vested if the Participant remains (or has remained) continuously employed by a Participating Employer or an Affiliate until his or her Retirement Date (For Vesting Purposes Only) provided the Participant remains so employed as of January 1, 2015), and all Accounts and/or Deferred Compensation Accounts (as defined in accordance with the terms of the Plan in effect at such time) as of December 31, 2014 shall be distributed as provided previously, except for changes otherwise permitted by Section 409A of the Code.

1.3 Purpose. The Company has established the Plan primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees of the Participating Employers. The Plan is intended to be a top-hat plan as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA and is intended to comply with Code Section 409A. The Company intends that the Plan (and each Trust under the Plan as described in Section 13.2) shall be treated as unfunded for tax purposes and for purposes of Title I of ERISA and the Code. The Plan is not intended to qualify under Code Section 401(a).

A Participating Employer's obligations hereunder, if any, to a Participant (or to a Participant's beneficiary) shall be unsecured and shall be a mere promise by the Participating Employer to make payments hereunder in accordance with the terms of the Plan. A Participant (and, if applicable, the Participant's beneficiary) shall be treated as a general unsecured creditor of any Participating Employer.

This document is intended to serve as both the Plan document and the summary plan description of the Plan.

1.4 Administration. The Plan shall be administered by the Plan Administrative Committee appointed by the Company.

a. Authority. The Plan Administrative Committee shall have full authority and power to administer and construe the Plan, subject to applicable requirements of law. Without limiting the generality of the foregoing, the Plan Administrative Committee shall have the following powers and duties:

i. To make and enforce such rules and regulations as it deems necessary or proper for the administration of the Plan;

ii. To interpret the Plan and to decide all questions concerning the Plan;

iii. To designate persons eligible to participate in the Plan, subject to the approval of the Board;

iv. To determine the amount and the recipient of any payments to be made under the Plan;

v. To designate and value any investments deemed held in the Accounts;

vi. To appoint such agents, counsel, accountants, consultants and other persons as may be required to assist in administering the Plan; and

vii. To make all other determinations and to take all other steps necessary or advisable for the administration of the Plan.

Subject to paragraph (b) below, all decisions made by the Plan Administrative Committee pursuant to the provisions of the Plan shall be made in its sole discretion and shall be final, conclusive, and binding upon all parties.

b. Authority of Board of Directors. Notwithstanding anything in this Plan to the contrary, the Board shall have the power

i. to review and approve the persons who will be eligible to participate in the Plan; and

ii. to make determinations with respect to the participation and benefits of to any member of the Plan Administrative Committee who is a participant in the Plan.

c. Delegation of Duties. The Plan Administrative Committee may delegate such of its duties and may engage such experts and other persons as it deems appropriate in connection with administering the Plan. The Plan Administrative Committee shall be entitled to rely conclusively upon, and shall be fully protected in any action taken by the Plan Administrative Committee, in good faith in reliance upon any opinions or reports furnished to it by any such experts or other persons.

d. Expenses. All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan, including, without limitation, administrative expenses and compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Plan Administrative Committee in connection with the administration of the Plan shall be paid by the Participating Employers.

e. Indemnification of Plan Administrative Committee. The Participating Employers agree to indemnify and to defend to the fullest extent permitted by law any person serving as a member of the Plan Administrative Committee, and each employee of a Participating Employer or any of their affiliated companies appointed by the Plan Administrative Committee to carry out duties under this Plan, against all liabilities, damages, costs and expenses (including attorneys' fees and amounts paid in settlement of any claims approved by the Company) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

f. Liability. To the extent permitted by law, neither the Plan Administrative Committee nor any other person shall incur any liability for any acts or for any failure to act except for liability arising out of such person's own willful misconduct or willful breach of the Plan.

SECTION 2
Definitions

For purposes of the Plan, the following words and phrases shall have the meanings set forth below, unless their context clearly requires a different meaning:

2.1 Account. "Account" means the separate bookkeeping account maintained for the Participant for each Plan Year in accordance with Section 7.1

2.2 Affiliate. "Affiliate" means any corporation which is a member of a controlled group of corporations (as defined in Code Section 414(b)) which includes the Company and any trade or business (whether or not incorporated) which is under common control (as defined in Code Section 414(c)) with the Company, except in making any such determination, 50% shall be substituted for 80% under such Code Section and the related Treasury Regulations.

2.3 Board. "Board" means the Board of Directors of ScanSource, Inc.

2.4 Change in Control. "Change in Control" means (a) a change in the ownership of the Company as determined in accordance with Treasury Regulation Section 1.409A-3(i)(5)(v), (b) a change in effective control of the Company as determined in accordance with Treasury Regulation Section 1.409A-3(i)(5)(vi), or (c) a change in the ownership of a substantial portion of the assets of the Company as determined in accordance with Treasury Regulation Section 1.409A-3(i)(5)(vii).

2.5 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a section of the Code includes any comparable section or sections of any future legislation that amends, supplements or supersedes that section.

2.6 Company. "Company" means ScanSource, Inc. or any successor company that adopts this Plan.

2.7 Compensation. "Compensation" means such forms of compensation payable in cash as may be designated by the Plan Administrative Committee, from time to time, in its sole discretion, as eligible for deferral under this Plan. Compensation may include, but shall be not limited to, base salary and any bonus compensation payable to the Participant.

2.8 Compensation Deferrals. "Compensation Deferrals" means the amount of Compensation that a Participant elects to defer pursuant to Section 4.

2.9 Deferral Election. "Deferral Election" means an election made by a Participant pursuant to Section 4 to defer Compensation.

2.10 Discretionary Employer Contribution. "Discretionary Employer Contribution" means the contribution deemed credited to a Participant's Account pursuant to Section 5.3.

2.11 Discretionary Matching Contribution. "Discretionary Matching Contribution" means the contribution deemed credited to a Participant's Account pursuant to Section 5.1.

2.12 Eligible Employee. "Eligible Employee" means an employee of a Participating Employer who has been designated pursuant to Section 3 as eligible to participate in the Plan.

2.13 ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time. Any reference to a section of ERISA includes any comparable section or sections of any future legislation that amends, supplements or supersedes that section.

2.14 In-Service Distribution Date. “In-Service Distribution Date” means the date selected by the Participant for commencement of a scheduled in-service distribution pursuant to Section 6.2.

2.15 Participant. “Participant” means an Employee who meets the eligibility criteria set forth in Section 3 and who has made a Deferral Election in accordance with the terms of the Plan.

2.16 Participating Employer. “Participating Employer” means the Company and any of its participating Affiliates, or any of their successors.

2.17 Plan Administrative Committee. “Plan Administrative Committee” means the committee appointed by the Company’s Board of Directors to administer the Plan.

2.18 Plan Year. “Plan Year” means the calendar year.

2.19 Retirement Date (For Vesting Purposes Only). “Retirement Date (For Vesting Purposes Only)” means the date on which the sum of the Participant’s age and years of service equals or exceeds sixty-five (65). For purposes of determining the Participant’s Retirement Date (For Vesting Purposes Only), (i) years of service mean each Plan Year in which the Participant is actively employed by a Participating Employer for a continuous period of at least six (6) full months and as of the last day of the Plan Year and any Plan Year for which the Participant fails to meet the foregoing requirements solely as a result of an approved leave of absence, and (ii) all of the Participant’s years of service shall be counted (including those earned prior to the Participant’s eligibility for the Plan or after the Participant is no longer entitled to participate in the Plan), except as otherwise provided herein, but, (iii) (A) years of service accrued prior to a break in years of service shall not be counted for purposes of determining the Participant’s Retirement Date (For Vesting Purposes Only) with respect to the Participant’s Accounts that accrue after the break in years of service if the number of the Participant’s breaks in years of service equal or exceed the greater of five (5) or the aggregate number of years of service before such break, and (B) years of service accrued after a break in service shall not be counted for purposes of determining the Participant’s Retirement Date (For Vesting Purposes Only) with respect to the Participant’s Accounts that accrued prior to the break in years of service. A break in years of service means a Plan Year in which the Participant does not accrue a year of service.

2.20 ScanSource Controlled Group. “ScanSource Controlled Group” means the Company and its Affiliates.

2.21 Separation from Service or Separate from Service. A Participant will be considered to Separate from Service if he or she dies, retires, or otherwise has a termination of employment with the ScanSource Controlled Group, subject to the following:

a. For this purpose, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six (6) months, or if longer, so long as the individual’s right to reemployment with the ScanSource Controlled Group is provided either by statute or by contract. If the period of leave exceeds six (6) months and the individual’s right to reemployment is not provided either by statute or by contract, the employment relationship is deemed to terminate on the first date immediately following such six-month period.

b. The determination of whether a Participant has separated from service shall be determined based on the facts and circumstances in accordance with the rules set forth in Code Section 409A and the regulations thereunder.

2.22 **Totally Disabled or Total Disability**. A Participant shall be considered to be "Total Disabled" if he or she meets one of the following requirements:

a. The Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

b. The Participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of a Participating Employer.

c. The Participant is determined to be totally disabled by the Social Security Administration.

2.23 **Valuation Date**. "Valuation Date" means each business day the financial markets and the vendor that administers the Plan on behalf of the Company are open unless the underlying investment requires a less frequent valuation.

2.24 **Other Definitions**. In addition to the terms defined in this Section 2, other terms are defined when first used in Sections of this Plan.

SECTION 3
Eligibility and Participation

3.1 Eligible Employees. Only employees of a Participating Employer who are designated by the Plan Administrative Committee and approved by the Board shall be eligible to participate in the Plan. Participation is limited to a select group of management or highly compensated employees of the ScanSource Controlled Group.

3.2 Participation.

a. An Eligible Employee shall become a Participant in the Plan by (i) completing and submitting to the Company a Deferral Election in accordance with Section 4 below, and (ii) complying with such terms and conditions as the Board and/or the Plan Administrative Committee may from time to time establish for the implementation of the Plan, including, but not limited to, any condition the Board and/or the Plan Administrative Committee may deem necessary or appropriate for the Participating Employers to meet their obligations under the Plan.

b. An employee shall only be a Participant eligible to have compensation deferred under this Plan only while he or she is employed by a Participating Employer and is designated as an Eligible Employee. If an employee subsequently ceases to be a designated Eligible Employee after becoming a Participant, he or she shall remain a Participant for the other purposes of the Plan to the extent of any existing Account balance subject to Section 14.1.

SECTION 4
Compensation Deferrals

4.1 **Election to Defer Compensation**. An Eligible Employee may elect to defer receipt of Compensation as follows:

a. General Rule. Except as otherwise provided in this Section, an election to defer receipt of Compensation for services to be performed during a calendar year must be made no later than the December 31 preceding the calendar year during which the Participant will perform the related services.

b. Performance-Based Compensation. Notwithstanding the foregoing, in the case of Compensation that qualifies as "performance-based compensation" for purposes of Code Section 409A, the Plan Administrative Committee may, but is not required to, permit an election to defer receipt of such compensation to be made no later than the date that is six (6) months before the end of the performance period with respect to which such performance-based compensation relates.

c. First Year of Eligibility. Notwithstanding the foregoing, in the case of the first year in which an employee becomes eligible to participate in the Plan, the Plan Administrative Committee may, but is not required to, permit an initial deferral election to be made not later than thirty (30) days after the date the employee becomes eligible to participate in the Plan. Such election shall apply only with respect to compensation paid for services to be performed subsequent to the election. This paragraph (c) will only apply to the extent permitted by Section 409A of the Code and will not apply to an Eligible Employee who is a participant in any other account balance deferred compensation plans maintained by any member of the ScanSource Controlled Group which is required to be aggregated with this Plan under Code Section 409A.

4.2 **Amount of Compensation Deferral**. A Participant may elect to defer receipt of a percentage of his or her Compensation payable for a Plan Year subject to the following rules:

a. The maximum percentage Compensation that can be deferred for a Plan Year will be determined by the Plan Administrative Committee at least thirty (30) days prior to the beginning of the Plan Year. If the percentage of the Participant's Compensation that the Participant elected to defer for a Plan Year exceeds such maximum, the Participant's separate deferral elections shall be reduced pro-rata to comply with the maximum percentage of Compensation that can be deferred for the Plan Year.

b. The amount of the deferral elected for the Plan Year cannot reduce the Participant's cash compensation below the amount the Participating Employer determines necessary to satisfy applicable federal, state and local income and employment withholding taxes and any obligations to make benefit plan contributions.

4.3 **Deferral Election.** A Participant must make a deferral election to elect to defer the receipt of a percentage (or amount) of his or her Compensation payable for a Plan Year into the Participant's Account for such Plan Year (as the Plan Administrative Committee permits). The Participant's Compensation Deferrals, Discretionary Matching Contributions and Discretionary Employer Contributions that are to be credited to the Participant's Account for the Plan Year, and any earnings thereon, will be distributed in accordance with Section 6. Such election shall be made at the time set forth in Section 4.1 above.

4.4 **Election of Distribution Upon Change In Control**. A Participant may elect to have his or her Account for a particular Plan Year distributed immediately upon a Change in Control. Such election shall be made at the time the Participant makes the election for the Plan Year with respect to which the Compensation Deferrals, Discretionary

Matching Contributions and Discretionary Employer Contributions are to be credited to the Participant's Account for the Plan Year.

4.5 <u>General Rules Applicable to Elections</u>. Elections under this Article 4 shall be made in the form, manner, and in accordance with the notice requirements, prescribed by the Plan Administrative Committee. Except as otherwise provided in this Plan, an election made by a Participant for a particular calendar year shall become irrevocable as of the last date on which such election can be made for the calendar year pursuant to this Article 4. Notwithstanding any other provision of the Plan, an election by a Participant to defer Compensation for a particular Plan Year will be prohibited for at least six months after a hardship distribution (pursuant to Treasury Regulation §1.401(k)-1(d)(3)) from a 401(k) plan sponsored by a Participating Employer to the extent required under Treasury Regulation §1.401(k)-1(d)(3).

4.6 <u>Cancellation of Deferral Election</u>.

a. The Plan Administrative Committee may permit or require a Participant to cancel a Deferral Election during a calendar year if it determines either of the following circumstances has occurred:

i. The Participant has an "unforeseeable emergency" as defined in Section 7.03 below or a hardship distribution (pursuant to Treasury Regulation §1.401(k)-1(d)(3)) from a 401(k) plan sponsored by a Participating Employer, to the extent permitted by Section 409A of the Code. If approved by the Plan Administrative Committee, such cancellation shall take effect as of the first payroll period next following approval by the Plan Administrative Committee.

ii. The Participant incurs a disability. If approved by the Plan Administrative Committee, such cancellation shall take effect no later than the later of the end of the calendar year or the 15th day of the third month following the date Participant incurs a disability. Solely for purposes of this clause (ii), a disability refers to any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months.

b. If a Participant cancels a Deferral Election during a calendar year, he or she will not be permitted to make a new deferral election with respect to Compensation relating to services performed during the same calendar year.

c. If a Participant cancels a Deferral Election during a calendar year, he or she will be required to cancel all Deferral Elections for that Plan Year.

4.7 <u>Crediting of Compensation Deferrals</u>.

a. The amount of Compensation deferred by a Participant shall be credited to the Participant's applicable Account as of the Valuation Date coincident with or immediately following the date such Compensation would, but for the Participant's Deferral Election, be payable to the Participant.

b. The Compensation Deferrals, and the earnings thereon, credited to the Participant's Accounts shall be immediately 100% vested and nonforfeitable at all times.

SECTION 5
Discretionary Matching or Employer Contributions

5.1 <u>Discretionary Matching Contribution</u>.

a. For any Plan Year, a Participating Employer may credit to the Account of any Participant employed by that Participating Employer with a Discretionary Matching Contribution in such amount as may be determined by the Participating Employer in its sole discretion at least thirty (30) days prior to the beginning of the Plan Year. Discretionary Matching Contributions need not be uniform among Participants.

b. The amount of the Discretionary Matching Contribution to be credited to a Participant's Account for a Plan Year shall be equal to such dollar amount, such percentage of a Participant's Compensation Deferrals, or any combination thereof, as may be determined by the Participating Employer in its sole discretion.

c. Any Discretionary Matching Contribution will be credited to a Participant's Account as of the Valuation Date specified by the Participating Employer.

5.2 <u>Vesting of Discretionary Matching Contribution</u>.

a. Except as otherwise provide in paragraph (b) below and subject to Section 10, the Discretionary Matching Contribution credited to a Participant's Account with respect to a particular Plan Year, and any earnings thereon, shall become vested in accordance with the following schedule:

Years of Service Completed Following Plan Year for which Contribution is Credited	**Vested Percentage**
Less than 3 Years of Service	0%
3 Years of Service	50%
4 Years of Service	75%
5 or more Years of Service	100%

A Participant will be credited with a Year of Service if:

i. he or she is actively employed by a Participating Employer for a continuous period of at least six (6) full months during a Plan Year and is actively employed by a Participating Employer as of the last day of the Plan Year, or

ii. he or she fails to meet the active employment requirement in clause (i) above solely as a result of an approved leave of absence.

b. Notwithstanding the foregoing vesting schedule:

i. solely for purposes of determining the vesting of Discretionary Matching Contributions credited to a Participant's Account with respect to the Plan Year ended December 31, 2005, and any earnings thereon, the number of Years of Service completed by such Participant will be determined during the period beginning as of July 1, 2005.

ii. the Discretionary Matching Contributions credited to a Participant's Account with respect to the Plan Year, and any earnings thereon, shall become fully vested if the Participant remains continuously employed by a Participating Employer or an Affiliate until his or her death, Total Disability, Retirement Date (For Vesting Purposes Only) or the occurrence of a Change in Control.

iii. the Plan Administrative Committee may specify a different vesting schedule for a Participant's Discretionary Matching Contributions, and any earnings thereon, than described above or provide that the Participant's Discretionary Matching Contributions, and any earnings thereon, shall be fully vested at the time credited to the Account of the Participant or such other time as determined by the Plan Administrative Committee, provided the Participant's Discretionary Matching Contributions, and any earnings thereon, shall become fully vested as described in clause (ii) above.

iv. all of the Participant's years of service shall be counted (including those earned prior to the Participant's eligibility for the Plan or after the Participant is no longer entitled to participate in the Plan), except that (A) years of service accrued prior to a break in years of service shall not be counted with respect to the Participant's Accounts that accrue after the break in years of service if the number of the Participant's breaks in years of service equal or exceed the greater of five (5) or the aggregate number of years of service before such break, and (B) years of service accrued after a break in service shall not be counted only with respect to the Participant's Accounts that accrued prior to the break in years of service. A break in years of service means a Plan Year in which the Participant does not accrue a year of service.

5.3 <u>Discretionary Employer Contribution</u>.

a. For any Plan Year, a Participating Employer may credit to the Account of any Participant employed by that Participating Employer with a Discretionary Employer Contribution in such amount as may be determined by the Participating Employer in its sole discretion at least thirty (30) days prior to the beginning of the Plan Year. Discretionary Employer Contributions need not be uniform among Participants.

b. The amount of the Discretionary Employer Contribution to be credited to a Participant's Account for a Plan Year shall be equal to such dollar amount as may be determined by the Participating Employer in its sole discretion.

c. Any Discretionary Employer Contribution will be credited to a Participant's Account as of the Valuation Date specified by the Participating Employer.

5.4 <u>Vesting of Discretionary Employer Contribution</u>.

a. Except as otherwise provided in paragraph (b) below or otherwise specified by the Participating Employer at the time of credit to the Account of the Participant, the Discretionary Employer Contribution credited to a Participant's Account with respect to a particular Plan Year, and any earnings thereon, shall become vested in accordance with the following schedule:

Years of Service Completed Following Plan Year for which Contribution is Credited	**Vested Percentage**
Less than 3 Years of Service	0%
3 Years of Service	50%
4 Years of Service	75%
5 or more Years of Service	100%

A Participant will be credited with a Year of Service if:

i. he or she is actively employed by a Participating Employer for a continuous period of at least six (6) full months during a Plan Year and is actively employed by a Participating Employer as of the last day of the Plan Year, or

ii. he or she fails to meet the active employment requirement in clause (i) above solely as a result of an approved leave of absence.

b. Notwithstanding the foregoing vesting schedule:

i. the Plan Administrative Committee may specify a different vesting schedule for any Discretionary Employer Contributions, and any earnings thereon, than described above or provide that the Discretionary Employer Contributions, and any earnings thereon, shall be fully vested at the time credited to the Account of the Participant or such other time as determined by the Plan Administrative Committee, provided the Participant's Discretionary Employer Contributions, and any earnings thereon, shall become fully vested as described in clause (ii) below.

ii. the Participant's Discretionary Employer Contributions credited to a Participant's Account with respect to the Plan Year, and any earnings thereon, shall become fully vested if the Participant remains continuously employed by a Participating Employer until his or her death, Total Disability, Retirement Date (For Vesting Purposes Only) or the occurrence of a Change in Control.

iii. all of the Participant's years of service shall be counted (including those earned prior to the Participant's eligibility for the Plan or after the Participant is no longer entitled to participate in the Plan), except that (A) years of service accrued prior to a break in years of service shall not be counted with respect to the Participant's Accounts that accrue after the break in years of service if the number of the Participant's breaks in years of service equal or exceed the greater of five (5) or the aggregate number of years of service before such break, and (B) years of service accrued after a break in service shall not be counted only with respect to the Participant's Accounts that accrued prior to the break in years of service. A break in years of service means a Plan Year in which the Participant does not accrue a year of service

5.5 **Forfeiture**. A Participant's unvested Account balance shall be forfeited upon the occurrence of the payment event related to the Account.

SECTION 6
Distribution Elections

Subject to the other terms contained in this Plan, the Participant may make the following distribution elections:

6.1 <u>Election of Form of Payment Upon Separation from Service</u>.

a. Unless a Participant elects otherwise, the vested balance credited to his or her Account for a Plan Year will be distributed in a single lump sum payment in connection with the Participant's Separation from Service in accordance with Section 9.

b. A Participant may elect to have the vested balance credited to his or her Account for a particular Plan Year and payable in connection with a Separation from Service to be distributed over no more than ten (10) years, with either annual or quarterly installment payments, until paid in full, in accordance with Section 9.

c. Such election shall be made at the same time the Participant makes the Deferral Election in accordance with Section 4 for that Plan Year. Except as otherwise provided in paragraph (d) below, any such election shall be irrevocable.

d. A Participant may change his or her election as to form of payment in connection with a Separation from Service only in accordance with Section 409A of the Code and the following rules:

i. Such election may not take effect until at least twelve (12) months after the date on which the election is made.

ii. The new distribution date cannot be less than five (5) years from the date such payment otherwise would have been paid but for the new election.

iii. Such election must be at least twelve (12) months prior to the date the first payment is scheduled to be paid.

iv. Such election must not exceed the maximum number of subsequent deferrals that the Plan Administrative Committee may establish under the Plan.

6.2 <u>Optional Election of an In-Service Distribution</u>. The Participant has the option to elect to have the vested balance credited to his or her Account for a Plan Year to be distributed at a specified date prior to his or her Separation from Service, subject to the following rules:

a. The specified in-service distribution date cannot be earlier than the end of the five (5) Plan Year period following the Plan Year for which such Compensation Deferrals, Discretionary Matching Contributions and Discretionary Employer Contributions are credited to his or her Account.

b. The vested balance credited to the Participant's Account for a Plan Year to be distributed at a specified date shall be distributed in a single lump sum, unless the Participant elects otherwise. The Participant may elect to have distribution of such vested balance be distributed over no more than five (5) years, with either annual or quarterly installment payments, until paid in full, in accordance with Section 8.1.

c. Such optional election shall be made at the same time the Participant makes the Deferral Election in accordance with Section 4 for that Plan Year. Except as otherwise provided in paragraph (d) below, any such election shall be irrevocable.

d. A Participant may change his or her specified in-service distribution date and/or form of payment only in accordance with Section 409A of the Code and the following rules:

i. Such election may not take effect until at least twelve (12) months after the date on which the election is made.

ii. The new distribution date cannot be less than five (5) years from the date such payment otherwise would have been paid but for the new election.

iii. Such election must be at least twelve (12) months prior to the date the first payment is scheduled to be paid.

iv. Such election must not exceed the maximum number of subsequent deferrals that the Plan Administrative Committee may establish under the Plan.

6.3 <u>Election of Distribution Upon Change in Control</u>. A Participant may elect to have his or her Account for a particular Plan Year distributed immediately upon a Change in Control in accordance with Section 8.3. Such election shall be made at the time the Participant makes the Deferral Election for the particular Plan Year. Except as otherwise permitted by Section 409A of the Code, and subject to Sections 6.1(d) and 6.2(d) above, any such election shall be irrevocable.

6.4 <u>General Rules</u>. Elections under this Section 6 shall be made in the form, manner, and in accordance with the notice requirements prescribed by the Plan Administrative Committee. Except as otherwise provided in this Plan, if a Participant fails to make a different distribution election under this Section 6, the vested balance credited to his or her Account for a particular Plan Year will be distributed in a single lump sum payment in connection with the Participant's Separation from Service in accordance with Section 9. All payments shall be made in cash.

SECTION 7
Deferred Compensation Accounts

7.1 **Participant's Accounts**. The Company shall establish and maintain separate memorandum accounts in the name of each Participant for each Plan Year. Such accounts shall be credited or charged with (a) the Participant's Compensation Deferrals, if any; (b) Discretionary Matching Contributions, if any; (c) Discretionary Employer Contributions, if any; (d) income, gains, losses, and expenses of investments deemed held in any such accounts; and (e) distributions from such accounts. Such accounts also may be charged with third-party expenses incurred to administer the Plan and process distributions.

7.2 **Investment of Accounts**.

a. The amount credited to a Participant's Account shall be deemed to be invested and reinvested in mutual funds, stocks, bonds, securities, and any other assets or investment vehicles, as may be selected by the Plan Administrative Committee in its sole discretion; provided that in no event shall such Accounts be deemed to be invested in securities issued by the Company.

b. A Participant may elect the manner in which his or her Account is deemed to be invested and reinvested among the deemed investment options selected by the Plan Administrative Committee. A Participant's investment election shall remain in effect until the Participant properly files a change of election with the Plan Administrative Committee. In the event that any Participant fails to make an election with respect to the investment of all or a portion of the balance in his or her account at any time, the Participant shall be deemed to have elected that such balance be deemed to be invested in a money market (or equivalent) fund and such assets shall remain in such investment fund until such time as the Participant directs otherwise.

c. A Participant's investment direction (or any change in his or her investment direction) shall be made in the form, manner, and in accordance with the notice requirements, prescribed by the Plan Administrative Committee.

d. A Participant, by electing to participate in this Plan, agrees on behalf of himself or herself and his or her designated beneficiaries, to assume all risk in connection with any increase or decrease in value of the investments which are deemed to be held in his or her account. Each Participant further agrees that the Plan Administrative Committee and the Participating Employer shall not in any way be held liable for any investment decisions or for the failure to make any investments by the Plan Administrative Committee.

SECTION 8
Distribution Prior to Separation from Service

8.1 In-Service Distribution.

a. Commencement of Payment. Subject to paragraph (c) below, Section 6.2(d) and Section 9.3, if the Participant elected to have the vested balance credited to his or her Account for a Plan Year to be distributed at a specified date prior to his or her Separation from Service, the vested balance credited to the Participant's account for that Plan Year will be paid in a lump sum distribution within the calendar month following the calendar month of the specified In-Service Distribution Date, unless the Participant elected otherwise, in which case payment of the Participant's In-Service Election will be distributed in the number of installment payments elected by the Participant, with the first installment payment to be made within the calendar month following the calendar month of the In-Service Distribution Date applicable to such Account and each successive installment payment to be made on the succeeding installment anniversary of the In-Service Distribution Date applicable to such Account.

b. Amount of Payment. The amount of the lump sum payment will be equal to the value of the Account as of the last valuation date preceding the date of payment. The amount of any installment payment will be equal to (i) the value of the Account as of the last valuation date preceding the date of payment divided by (ii) the number of installment payments not yet distributed.

c. Separation from Service Prior to In-Service Distribution Date. If the Participant Separates from Service prior to the In-Service Distribution Date applicable to the Participant's Account, then such Account shall be distributed at the same time and in the same manner as if the Participant had not elected to have the vested balance credited to his or her Account for a Plan Year to be distributed at a specified date prior to his or her Separation from Service. If the Participant Separates from Service on or after the In-Service Distribution Date , then such Account shall continue to be distributed pursuant to the Participant's election.

8.2 Financial Hardship. The Plan Administrative Committee, in its sole discretion, may permit a hardship payment to be made to a Participant at any time prior to Separation from Service in the event of an "unforeseeable emergency". Withdrawals of amounts because of an unforeseeable emergency will be permitted to the extent reasonably needed to satisfy the emergency need.

a. For purposes of this Section, an "unforeseeable emergency" is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or of a dependent (as defined in Section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

b. The circumstances that will constitute an unforeseeable emergency will depend upon the facts of each case, but, in any case, payment may not be made to the extent that such hardship is or may be relieved:

i. Through reimbursement or compensation by insurance or otherwise;

ii. By liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship; or

iii. By cessation of Compensation Deferrals under the Plan.

8.3 **Distribution Upon a Change in Control**. Subject to Sections 6.1(d) and 6.2(d) above, if a Participant has elected to receive distribution of his or her Account for a particular Plan Year upon the occurrence of a Change in Control, the balance credited to the Participant's Account shall be distributed to the Participant in a single lump sum payment within thirty (30) days after the Change in Control.

SECTION 9
Distribution Following Separation from Service

9.1 Distribution Upon Separation from Service.

a. Commencement of Payment. Subject to Section 6.2(d) above, payment of a Participant's Account in connection with a Separation from Service will commence as of the first day of the seventh (7^{th}) calendar month following the calendar month of the Participant's Separation from Service.

b. Form of Payment. In the event that a Participant Separates from Service for any reason other than death or Total Disability, then the amount credited to the Participant's Account will be distributed to the Participant in a single lump sum payment, unless the Participant elected otherwise, in which case the amount credited to the Participant's Account will be distributed in the number of installment payments elected by the Participant, with the first installment payment to be made on the first day of the seventh (7^{th}) calendar month following the calendar month of the Participant's Separation from Service (which installment will include all payments that otherwise might have been made had payments commenced in the calendar month following the month which includes the Participant's Separation from Service and successive installments been made on the succeeding installment anniversary of the Participant's Separation from Service) and each successive installment payment to be made on the succeeding installment anniversary of the Participant's Separation from Service on or after the first day of the seventh (7th) calendar month following the calendar month of the Participant's Separation from Service.

c. Amount of Payment.

i. Lump Sum Amount. The amount of the lump sum payment will be equal to the value of the Account as of the last valuation date preceding the date of payment.

ii. Installment Payments. Each annual installment payment shall be in the amount equal to (A) the value of the Account, as of the last valuation date preceding the date of payment, divided by (B) the number of installment payments not yet distributed.

Notwithstanding the foregoing, if the balance credited to the Participant's Account as of his or her Separation from Service date does not exceed the applicable dollar limit on elective 401(k) plan deferrals then in effect under Code Section 402(g)(1)(B), then distribution will be made in a single lump sum payment within the calendar month following the calendar month of the Participant's Separation from Service date.

9.2 Separation from Service Due to Total Disability. In the event that a Participant Separates from Service at any time by reason of becoming Totally Disabled, subject to Sections 6.1(d) and 6.2(d) above, the balance credited to his or her Accounts will be distributed to the Participant in a single lump payment within the calendar month following the calendar month of the Participant's Separation from Service.

9.3 Death.

a. In the event that a Participant Separates from Service by reason of his or her death, subject to Sections 6.1(d) and 6.2(d) above, the balance credited to his or her Accounts will be distributed to the Participant's designated beneficiary in a single lump payment within the calendar month following the calendar month of the Participant's death.

b. Notwithstanding any other provision of this Plan, in the event a Participant dies after the commencement of installment payments, but prior to the completion of all such payments due and owing hereunder, subject to Sections 6.1(d) and 6.2(d) above, the remaining balance credited to his or her Accounts will be distributed to the Participant's designated beneficiary in a single lump payment within the calendar month following the calendar month of the Participant's death.

9.4 Designated Beneficiary.

a. The Participant may name a beneficiary or beneficiaries to receive the balance of the Participant's Account(s) in the event of the Participant's death prior to the payment of the Participant's entire Account(s). To be effective, any beneficiary designation must be filed in writing with the Plan Administrative Committee in accordance with rules and procedures adopted by the Plan Administrative Committee for that purpose.

b. A Participant may revoke an existing beneficiary designation by filing another written beneficiary designation with the Plan Administrative Committee. The latest beneficiary designation received by the Plan Administrative Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Plan Administrative Committee prior to the Participant's death.

c. If no beneficiary is named by a Participant, or if the Participant survives all of the Participant's named beneficiaries and does not designate another beneficiary, the Participant's Account(s) shall be paid in the following order of precedence:

i. The Participant's spouse;

ii. The Participant's children (including adopted children) per stirpes; or

iii. The Participant's estate.

Exhibit 10.3

SECTION 10
Forfeiture of Benefits

10.1 Notwithstanding anything in this Plan to the contrary, if the Plan Administrative Committee, in its sole discretion, determines that

a. the Participant's employment with the Participating Employer has been terminated for Good Cause or,

b. if at any time during which a Participant is entitled to receive payments under the Plan, the Participant has breached any of his or her post-employment obligations, including, but not limited to, any restrictive covenants or obligations under any agreement and general release,

then the Plan Administrative Committee may cause the Participant's entire interest in benefits attributable to Discretionary Matching Contributions or Discretionary Employer Contributions, or any portion thereof, and any earnings thereon, to be forfeited and discontinued, or may cause the Participant's payments of benefits under the Plan to be limited or suspended for such other period the Plan Administrative Committee finds advisable under the circumstances, and may take any other action and seek any other relief the Plan Administrative Committee, in its sole discretion, deems appropriate, to the extent any such action would not result in a violation of Section 409A of the Code.

10.2 "Good Cause" means the Participant's fraud, dishonesty, or willful violation of any law or significant policy of the Participating Employer that is committed in connection with the Participant's employment by or association with the Company or Affiliate. Whether a Participant has been terminated for Good Cause shall be determined by the Plan Administrative Committee.

Regardless of whether a Participant's employment initially was considered to be terminated for any reason other than Good Cause, the Participant's employment will be considered to have been terminated for Good Cause for purposes of this Plan if the Plan Administrative Committee subsequently determines that the Participant engaged in an act constituting Good Cause.

10.3 The decision of the Plan Administrative Committee shall be final. The omission or failure of the Plan Administrative Committee to exercise this right at any time shall not be deemed a waiver of its right to exercise such right in the future. The exercise of discretion will not create a precedent in any future cases.

SECTION 11
Claims Procedures

11.1 Filing a Claim. A Participant or Beneficiary shall make a claim for Plan benefits by filing a written request with the Plan Administrative Committee or, upon a form to be furnished by the Plan Administrative Committee for such purpose. No legal action to recover benefits or enforce or clarify rights under the Plan can be commenced until claims and review procedures provided hereunder have been exhausted. Any Participant or Beneficiary who disputes the amount of his or her entitlement to Plan benefits must file a claim in writing within two-hundred seventy (270) days of the event that the Participant or Beneficiary is asserting constitutes an entitlement to such Plan benefits or, if later, within ninety (90) days of the date the payment is due. Failure by the Participant or Beneficiary to submit such claim within such time periods shall bar the Participant or Beneficiary from any claim for benefits under the Plan as the result of the occurrence of such event or the failure to make such payment. In no event shall the Participant or other claimant be entitled to challenge a decision of the Plan Administrative Committee with respect to a claim unless and until the claims procedures herein have been complied with and exhausted.

11.2 Initial Review.

a. The Plan Administrative Committee (or its delegate) shall review each claim for benefits and shall provide a response to the claimant regarding the claim within 90 days. However, if special circumstances require an extension of time for the Plan Administrative Committee (or its delegate) to process the claim, the 90-day period may be extended for an additional 90 days. Prior to the termination of the initial 90-day period, the Plan Administrative Committee (or its delegate) shall provide the claimant with a written notice setting forth the reason for the extension. The notice shall indicate the special circumstance requiring the extension of time and the date by which the Plan Administrative Committee (or its delegate) expects to render the benefit determination. A claim for benefits that depends on a determination of a Total Disability (a “Disability claim”) is subject to different time periods as described in paragraph (b) below.

b. A response to a Disability claim shall be provided within 45 days after receipt of the claim. This 45-day period may be extended up to 30 days if an extension is necessary due to matters beyond the control of the Plan and the claimant is notified, prior to the expiration of the initial 45-day period, of the circumstances requiring the extension of time and the date by which the Plan expects to render a decision. If, prior to the end of the first 30-day extension period, the Plan Administrative Committee (or its delegate) determines that, due to matters beyond the control of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for up to an additional 30 days, provided that the Plan Administrative Committee (or its delegate) notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Plan expects to render a decision. In the case of any such extension with respect to a Disability claim, the notice of extension also shall specifically explain the standards on which entitlement to a benefit upon Disability is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and the claimant shall have at least 45 days within which to provide the specified information, if any.

11.3 Denial of Claim. If a claim for benefits is denied, in whole or in part, the Plan Administrative Committee (or its delegate) shall provide written notice to the claimant providing the following information:

a. The specific reason(s) stating why the claim was denied;

b. Reference to the specific plan provisions on which the determination is based;

c. A description of any additional material or information needed to process the claim, and an explanation of why such material or information is necessary;

d. An explanation of the claims review procedure, including the time limits applicable to such procedure, as well as a statement notifying the claimant of his or her right to bring a civil action under Code Section 502(a) of ERISA following denial of a final appeal; and

e. In the case of a Disability claim, the notice will be provided in a culturally and linguistically appropriate manner as described in 29 CFR § 2560.503-1(o)(1)(i) – (iii) and:

1. Provide a discussion of the decision, including an explanation of the basis for disagreeing with or not following the views presented by the claimant to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant, the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination, or a disability determination regarding the claimant presented by the claimant to the Plan made by the Social Security Administration;

2. If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either provide an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or provide a statement that such explanation will be provided free of charge upon request in writing;

3. Explain the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan relied upon in making the adverse determination or, alternatively, provide a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist; and

4. Provide a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimants claim for benefits.

11.4 Appeal of Denial. The claimant or the claimant's representative may appeal any denial of benefits and may review pertinent Plan documents to help prepare for the appeal. Any such appeal must be filed with the Plan Administrative Committee in writing within 60 days (180 days in the case of a Disability claim) after the claimant receives written notice of denial of the claim for benefits and must set forth the grounds on which such appeal is made and any issues or comments which the claimant deems pertinent to his or her claim. The claimant may submit written comments, documents, records, and other information relating to his or her claim for benefits. Upon request, and free of charge, the claimant shall be provided reasonable access to, and copies of, all documents and records relevant to his or her claim.

11.5 Review on Appeal. The Plan Administrative Committee (or its delegate) will consider the claimant's appeal made in accordance with this Section 11.5 and will notify the claimant in writing of its decision within 60 days (45 days in the case of a Disability claim) of the receipt of the appeal unless there are special circumstances that require an extension of time for processing the claim. If the Plan Administrative Committee (or its delegate) determines that an extension of time for processing is required, the claimant will be notified in writing prior to the termination of the initial 60-day period (or 45-day period, as applicable), indicating the special circumstances that require an extension of time and the date the Plan Administrative Committee (or its delegate) expects to render a determination on appeal. In no event shall such extension period exceed a period of 120 days (90 days in the case of a disability claim) from the receipt of the claimant's appeal. The Plan Administrative Committee shall conduct a full and fair review of the claim that takes into account all comments, documents, records, and other information submitted by the claimant or the claimant's authorized representative relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination, and

a. In the case of a Disability claim:

(1) Before issuing an adverse benefit determination on review, the Plan Administrative Committee shall provide the claimant, free of charge, with any new or additional evidence considered, relied upon, or generated by the Plan or other person making the benefit determination (or at the direction of the Plan or such other person) in connection with the clam; such evidence must be provided as soon as possible and sufficiently in advance of the date on which the notice of adverse benefit determination on review is required to be provided under this Section 11.5 to give the claimant a reasonable opportunity to respond prior to that date; and

(2) Before the Plan can issue an adverse benefit determination on review based on a new or additional rationale, the Plan Administrative Committee shall provide the claimant, free of charge, with the rationale; such rationale must be provided as soon as possible and sufficiently in advance of the date on which notice of adverse benefit determination on review is required to be provided under this Section 11.5 to give the claimant a reasonable opportunity to respond prior to that date.

11.6 Decision on Review. If the Plan Administrative Committee (or its delegate) denies the claim on appeal, it will notify the claimant or his duly authorized representative in writing, in a manner calculated to be understood by the claimant, and the notice shall set forth:

a. The specific reason or reasons for the denial;

b. References to the pertinent Plan provisions on which the decision is based;

c. A statement of the claimant's right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits;

d. A statement of the claimant's right to bring a civil action under Section 502(a) of ERISA;

e. In the case of a Disability claim:

(1) Provide a discussion of the decision, including an explanation of the basis for disagreeing with or not following the views presented by the claimant to the Plan of health care professionals treating the claimant and vocational professionals who evaluated the claimant, the views of medical or vocational experts whose advice was obtained on behalf of the Plan in connection with a claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the benefit determination, or a disability determination regarding the claimant presented by the claimant to the Plan made by the Social Security Administration;

(2) If the adverse benefit determination is based on a medical necessity or experimental treatment or similar exclusion or limit, either provide an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the claimant's medical circumstances, or provide a statement that such explanation will be provided free of charge upon request in writing;

(3) Provide the specific internal rules, guidelines, protocols, standards or other similar criteria of the Plan in making the adverse determination or, alternatively, a statement that such rules, guidelines, protocols, standards or other similar criteria of the Plan do not exist;

(4) Be provided in a culturally and linguistically appropriate manner as described in 29 C.F.R. § 2560.503-1(o)(1)(i) – (iii); and

(5) Include a statement of the claimant's right to bring a civil action in state or federal court under Section 502(a) of ERISA following the adverse determination on review, and any applicable contractual limitations period that applies to the claimant's right to bring such an action, including the calendar date on which the contractual limitations period expires for the claim.

The decision upon appeal, or the initial decision if no appeal is taken, shall be final, conclusive and binding on all parties, subject, however, to the provisions of the Internal Revenue Code and ERISA.

11.7 Statute of Limitations. Except for any action against a fiduciary for a breach of fiduciary duty, any action filed in state or federal court regarding any rights or obligations under this Plan must be brought within one (1) year from the date of final determination.

11.8 Disability Claim: Deemed Exhaustion of Claims Procedure. In the case of a Disability claim:

a. If the Plan fails to strictly adhere to all the requirements of the procedures set out in this Article XI with respect to a claim, the claimant is deemed to have exhausted the administrative remedies available under the Plan, except as provided in subsection (b) of this Section 11.8. Accordingly, the claimant is entitled to pursue any available remedies under Section 502(a) of ERISA on the basis that the Plan failed to provide a reasonable claims procedure that would yield a decision on the merits of the claim. If a claimant chooses to pursue remedies under Section 502(a) of ERISA under such circumstances, the claim or appeal is deemed denied on review without the exercise of discretion by an appropriate fiduciary.

b. The administrative remedies available under the Plan with respect to a Disability claim will not be deemed exhausted based on de minimis violations that do not cause, and are not likely to cause, prejudice or harm to the claimant so long as the Plan demonstrates that the violation was for good cause or due to matters beyond the control of the Plan and that the violation occurred in the context on an ongoing, good faith exchange of information between the Plan and the claimant. This exception is not available if the violation is part of a pattern or practice of violations by the Plan. The claimant may request a written explanation of the violation from the Plan, and the Plan must provide such explanation within ten (10) days, including a specific description of its bases, if any, for asserting that the violation should not cause the administrative remedies available under the Plan to be deemed exhausted. If a court rejects the claimant's request for immediate review under subsection (a) of this Section 11.8 on the basis that the Plan met the standards for the exception under this subsection (b), the claim shall be considered as re-filed on appeal upon the Plan's receipt of the court's decision. Within a reasonable time after the receipt of the decision, the Plan shall provide the claimant with notice of the resubmission.

11.9 Disability Claim: Independence and Impartiality of Decision Maker. In the case of a Disability claim, the Plan shall ensure that all claims and appeals for disability benefits are adjudicated in a manner designed to ensure the independence and impartiality of the persons involved in making the decision. Accordingly, decisions regarding hiring, compensation, termination, promotion, or other similar matters with respect to any individual (such as a claims adjudicator or medical or vocational expert) shall not be based on the likelihood that the individual will support the denial of benefits.

11.10 Adverse Benefit Determination Defined. For purposes of this Section 11, "adverse benefit determination" means:

a. any of the following: a denial, reduction, or termination of, or a failure to provide or make payment (in whole or in part) for, a benefit, including any such denial, reduction, termination, or failure to provide or make payment that is based on a determination of a Participant's or Beneficiary's eligibility to participate in the Plan; and

b. in the case of a Disability claim, the term “adverse benefit determination” also means any rescission (i.e., cancellation or discontinuance of coverage that has a retroactive effect) of disability coverage with respect to a Participant or Beneficiary (whether or not, in connection with the rescission, there is an adverse effect on any particular benefit at that time).”

SECTION 12
Amendment or Termination of the Plan

12.1 The Plan Administrative Committee may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part, with respect to any Participants or beneficiaries whether or not payments have commenced to such Participants or beneficiaries. Notwithstanding the foregoing, no amendment, termination, or suspension of the Plan will affect a Participant's right to receive vested amounts previously deferred under the Plan or fail to be in compliance with Section 409A of the Code.

12.2 In the event the Plan is terminated and liquidated in accordance with the requirements described in Treasury Regulation Section 1.409A-3(j)(4)(ix), the Plan Administrative Committee shall distribute the remaining amounts in Participants' Accounts at such times and in such ways as the Plan Administrative Committee, in its sole discretion, may deem appropriate.

SECTION 13
Unfunded Plan; Change in Control

13.1 **Unfunded Plan**. Nothing in this Plan shall be construed as giving any Participant, or his or her legal representative or designated beneficiary, any claim against any specific assets of the Company or any of its affiliated companies or as imposing any trustee relationship upon the Company or any of its affiliated companies in respect of the Participant. The Participating Employers shall not be required to segregate any assets in order to provide for the satisfaction of the obligations hereunder. Investments deemed held in the Accounts shall continue to be a part of the general funds of the applicable Participating Employers, and no individual or entity other than the Participating Employer shall have any interest whatsoever in such funds. If and to the extent that the Participant or his or her legal representative or designated beneficiary acquires a right to receive any payment pursuant to this Plan, such right shall be no greater than the right of an unsecured general creditor of the applicable Participating Employer.

13.2 **Rabbi Trust**. The Participating Employers shall establish a trust (or trusts) for the purpose of providing funds for the payment of the amounts credited to Participants under the Plan subject to the following rules:

a. Such trust(s) shall be an irrevocable grantor trust containing provisions which are the same as, or are similar to, the provisions contained in the model "rabbi trust" set forth in Internal Revenue Service Revenue Procedure 92-64 (or any successor guidance issued by the IRS).

b. The Participating Employers shall make contributions to the trust(s) equal to the amount of the Compensation Deferrals, Discretionary Matching Contributions and Discretionary Employer Contributions as soon as practicable, but in no event later five (5) business days, following the date on which such contributions are credited to Participants' Accounts.

c. The Participating Employers shall pay all costs relating to the establishment and maintenance of the trust(s) and the investment of funds held in such trust(s).

13.3 **Chance in Control**. In the event of a Change in Control, the Participating Employers shall, as soon as possible, but in no event later than five (5) business days following a Change in Control, make an irrevocable contribution to the trust(s) established pursuant to Section 13.2 in an amount that is sufficient to pay the total amount credited to all Accounts under the Plan as of the date of the Change in Control.

SECTION 14
Miscellaneous Provisions

14.1 Acceleration or Delay of Payments Permitted Under Code Section 409a.

a. Acceleration of Payments. The Plan Administrative Committee may, its discretion, accelerate the payment of all or a portion of a Participant's vested Account prior to the time specified in this Plan to the extent such acceleration is permitted by Treasury Regulation Section 1.409A-3(j)(4). Such permitted accelerations shall include payments to comply with domestic relations orders, payments to comply with conflicts of interest laws, payment of employment taxes, payment upon income inclusion under Code Section 409A, and/or such other circumstances as are permitted by Section 409A and the Treasury Regulations thereunder.

b. Delay of Payments. The Plan Administrative Committee may, in its discretion, delay the payment of all or a portion of a Participant's Account in such circumstances as may be permitted under Code Section 409A.

14.2 Benefits Non-Assignable. Benefits under the Plan may not be anticipated, assigned or alienated, and will not be subject to claims of a Participant's creditors by any process whatsoever, except as specifically provided in this Plan or by the Plan Administrative Committee in its sole discretion.

14.3 Right to Withhold Taxes. The Participating Employers shall have the right to withhold such amounts from any payment under this Plan as it determines necessary to fulfill any federal, state, or local wage or compensation withholding requirements.

14.4 No Right to Continued Employment. Neither the Plan, nor any action taken under the Plan, shall confer upon any Participant any right to continuance of employment by the Company or any of its Affiliates nor shall it interfere in any way with the right of the Company or any of its Affiliates to terminate any Participant's employment at any time for any reason.

14.5 Mental or Physical Incompetency. If the Plan Administrative Committee determines that any person entitled to payments under the Plan is incompetent by reason of physical or mental disability, as established by a court of competent jurisdiction, the Plan Administrative Committee may cause all payments thereafter becoming due to such person to be made to any other person for his or her benefit, without responsibility to follow the application of amounts so paid. Payments made pursuant to this Section shall completely discharge the Plan Administrative Committee and the Participating Employer.

14.6 Unclaimed Benefit. Each Participant shall keep the Plan Administrative Committee informed in writing of his or her current address and the current address of his or her beneficiary. The Plan Administrative Committee shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrative Committee within three (3) years after the date on which payment of the Participant's Account may first be made, payment may be made as though the Participant had died at the end of the three (3) year period. If, within one additional year after such three (3) year period has elapsed, or, within three years after the actual death of a Participant, the Plan Administrative Committee is unable to locate any designated beneficiary of the Participant, then the Participating Employer shall have no further obligation to pay any benefit hereunder to such Participant or beneficiary or any other person and such benefit shall be irrevocably forfeited.

14.7 Suspension of Payments. If any controversy, doubt or disagreement should arise as to the person to whom any distribution or payment should be made, the Plan Administrative Committee, in its discretion, may, without any liability whatsoever, retain the funds involved or the sum in question pending settlement or resolution to the Plan

Administrative Committee's satisfaction of the matter, or pending a final adjudication by a court of competent jurisdiction.

14.8 **Governing Laws**. The provisions of the Plan shall be construed, administered and enforced according to applicable Federal law and the laws of State of South Carolina.

14.9 **Severability**. The provisions of the Plan are severable. If any provision of the Plan is deemed legally or factually invalid or unenforceable to any extent or in any application, then the remainder of the provision and the Plan, except to such extent or in such application, shall not be affected, and each and every provision of the Plan shall be valid and enforceable to the fullest extent and in the broadest application permitted by law.

14.10 **No Other Agreements or Understandings**. This Plan represents the sole agreement between the Participating Employers and Participants concerning its subject matter, and it supersedes all prior agreements, arrangements, understandings, warranties, representations, and statements between or among the parties concerning its subject matter.

14.11 **Section 409A of the Code**. The Company intends that the Plan comply with the requirements of Section 409A of the Code and shall be operated and interpreted consistent with that intent. Notwithstanding the foregoing, the Company makes no representation that the Plan complies with Section 409A of the Code and shall have no liability to any Participant for any failure to comply with Section 409A of the Code. This Plan shall constitute an "account balance plan" as defined in Treasury Regulation Section 31.3121(v)(2)-1(c)(1)(ii)(A). For purposes of Section 409A of the Code, all amounts deferred under this Plan shall be aggregated with amounts deferred under other account balance plans.

IN WITNESS WHEREOF, the Company has caused this amended and restated Plan to be executed by its duly authorized officer to be effective as of January 1, 2021.

ATTEST:		**SCANSOURCE, INC.** (the "Company")	
By:	______________________	By:	______________________
Title:	______________________	Title:	______________________

APPENDIX A
DEFERRAL BY DIRECTORS OF COMMON STOCK ISSUABLE IN LIEU OF CASH FEES AND/OR UPON SETTLEMENT OF RESTRICTED STOCK UNITS

1.1 Deferral of Non-Employee Director Fees

(a) A Non-Employee Director may elect to defer the receipt of shares of the common stock, no par value per share, of the Company ("Common Stock") otherwise issuable in lieu of any Non-Employee Director Fees the Non-Employee Director otherwise is entitled to receive in cash. Any Deferral Election the Non-Employee Director makes with respect to Non-Employee Director Fees will be deemed to be an election to receive such Non-Employee Director Fees in the form of shares of Common Stock in lieu of cash. For purposes of the Plan, (i) a Non-Employee Director means any individual who is a member of the Board and who is not an employee of the Company or any of its Affiliates, and (ii) Non-Employee Director Fees mean the quarterly cash retainer for Board and committee service, special assignment fees, meeting fees, committee chair or presiding director fees and any other cash amounts payable to the Non-Employee Director for service to the Company as a Non-Employee Director, if and only to the extent the Non-Employee Director has elected or is deemed to elect, on a timely basis, to receive such Non-Employee Director Fees in the form of shares of Common Stock (in lieu of cash).

(b) A Non-Employee Director may only make an election to defer the receipt of shares of Common Stock to be received in lieu of Non-Employee Director Fees (otherwise payable in cash) by filing a Deferral Election with the Plan Administrative Committee by December 31st (or such earlier date as specified by the Plan Administrative Committee on the Deferral Election) of the calendar year immediately preceding the calendar year in which the Non-Employee Director will render the related services in return for the Non-Employee Director Fees. The Non-Employee Director's Deferral Election shall become irrevocable as of December 31st (or such earlier date as specified by the Plan Administrative Committee on the Deferral Election) of such immediately preceding calendar year (except as otherwise permitted by Section 409A of the Code). The Deferral Election shall be made on such form, in such percentages and in such manner as the Plan Administrative Committee may specify. Once irrevocable, a Deferral Election with respect to Non-Employee Director Fees shall "evergreen" and shall remain effective with respect to subsequent calendar years unless and until the Non-Employee Director revokes or changes the Deferral Election by filing a revocation or new Deferral Election with the Plan Administrative Committee by December 31st (or such earlier date as specified by the Plan Administrative Committee) of the calendar year immediately preceding the calendar year in which the revocation or new Deferral Election is to be effective. A Deferral Election may be cancelled by the Plan Administrative Committee only to the extent permitted under the Plan and Section 409A of the Code.

(c) Notwithstanding the foregoing, in the case of the first calendar year in which the Non-Employee Director becomes a Non-Employee Director, an initial Deferral Election to defer the receipt of shares of Common Stock otherwise issuable in lieu of Non-Employee Director Fees to be paid in cash for that calendar year may be made, to the extent permitted by the Plan Administrative Committee, no later than 30 days after the date the Non-Employee Director first becomes a Non-Employee Director. Such election shall apply only to Non-Employee Director Fees payable for services as a Non-Employee Director to be performed subsequent to the Deferral Election. This special rule only applies to the extent permitted by Code Section 409A.

1.2 Deferral of Annual Equity Awards.

(a) A Non-Employee Director may elect to defer the receipt of shares of the Common Stock otherwise issuable upon settlement of any such annual equity awards granted to the Non-Employee Director. Any Deferral Election the Non-Employee Director makes with respect to any annual equity awards the Non-Employee Director may be granted will be deemed to be an election to receive such annual award in the form of restricted stock units ("RSUs"). For purposes of the Plan, (i) a Deferral Election may only apply to annual equity awards otherwise elected or deemed elected to be made in the form of restricted stock units and (ii) RSUs or restricted stock units refer to an award granted under the ScanSource, Inc. 2013 Long-Term Incentive Plan, as amended, or any similar compensatory plan or arrangement of the Company or any Subsidiary (an "**Incentive Plan**") of the right to receive shares of Common Stock and, if applicable, dividend equivalents on such shares of Common Stock, pursuant to the terms of the award certificate.

(b) A Non-Employee Director may only make an election to defer the receipt of shares of Common Stock to be received upon settlement of the Non-Employee Director's RSUs by filing a Deferral Election with the Plan Administrative Committee by December 31st (or such earlier date as specified by the Plan Administrative Committee on the Deferral Election) of the calendar year immediately preceding the calendar year in which the RSUs are granted to the Non-Employee Director. The Non-Employee Director's Deferral Election shall become irrevocable as of December 31st (or such earlier date as specified by the Plan Administrative Committee on the Deferral Election) of such immediately preceding calendar year (except as otherwise permitted by Section 409A of the Code). A Non-Employee Director may not elect to defer RSUs under the rules otherwise applicable to Non-Employee Directors in the first calendar year in which they become Non-Employee Directors. The Deferral Election shall be made on such form, in such percentages and in such manner as the Plan Administrative Committee may specify. Once irrevocable, a Deferral Election with respect to RSUs shall "evergreen" and shall remain effective with respect to subsequent calendar years unless and until the Non-Employee Director revokes or changes the Deferral Election by filing a revocation or new Deferral Election with the Plan Administrative Committee by December 31st (or such earlier date as specified by the Plan Administrative Committee) of the calendar year immediately preceding the calendar year in which the revocation or new Deferral Election is to be effective. A Deferral Election may be cancelled by the Plan Administrative Committee only to the extent permitted under the Plan and Section 409A of the Code.

1.3 Amount Deferred.

A Non-Employee Director shall designate on the Deferral Election if the Non-Employee Director's Non-Employee Director Fees and/or RSUs are to be deferred in accordance with this Appendix A. If a Director elects to defer the receipt of shares of Common Stock otherwise issuable as Non-Employee Director Fees and/or upon settlement of the Non-Employee Director's RSUs, the Non-Employee Director must elect to defer his Non-Employee Director Fees and/or RSUs for the respective calendar year in increments of no less than 25%, e.g., 25%, 50%, 75% or 100%. A Director shall not be permitted to defer less than 25% of his Non-Employee Director Fees and/or RSUs for any calendar year, and any such attempted deferral shall not be effective.

1.4 Form of Payment.

A Non-Employee Director shall designate on the Deferral Election whether the Non-Employee Director's Non-Employee Director Fees and/or RSUs that are to be deferred will be distributed in a single lump sum or in a number of approximately equal annual or quarterly installments over a specified period not to exceed five (5) years. The form of payment designated on the Deferral Election will apply to all Non-Employee Director Fees and/or RSUs credited to the Non-Employee Director's Account for the respective Plan Year as the result of such Deferral Election unless changed as permitted by the Plan and Section 409A of the Code. The Non-Employee Director may elect different forms of payment for the Non-Employee Director Fees and/or RSUs subject to each specific Deferral Election. Unless the Non-Employee Director elects otherwise in the Deferral Election, all Non-Employee Director Fees and/or RSUs credited to the

Non-Employee Director's Account for a Plan Year as the result of such Deferral Election will be distributed in a single lump sum.

1.5 No Deferral of Dividend Equivalents.

To the extent dividends are paid on shares of Common Stock after the RSUs are granted and prior to settlement or forfeiture of the RSUs, a Non-Employee Director may become entitled to receive an amount in cash or shares of Common Stock equal in value to the dividends the Non-Employee Director would have received had the Non-Employee Director been the actual owner of the number of shares of Common Stock represented by the Non-Employee Director's RSUs. A Non-Employee Director may not elect to defer, and the Non-Employee Director's Deferral Election will not apply to, any such dividend equivalents that may accrue and become payable with respect to the Non-Employee Director's RSUs prior to settlement or forfeiture of the RSUs that are payable in cash or other property (other than shares of Common Stock). Such dividend equivalents shall be paid in accordance with the terms of the Non-Employee Director's RSUs and shall not be deferred into the Plan. Any stock dividends payable with respect to the Non-Employee Director's RSUs will be subject to the Non-Employee's Deferral Election the same as the related RSUs.

1.6 Account; Company Stock Unit Fund.

(a) The Non-Employee Director's Account under the Plan shall consist of the Non-Employee Director's Accounts for each Plan Year, which shall be credited with deferrals of shares of Common Stock otherwise issuable as Non-Employee Director Fees and/or upon settlement of RSUs with respect to which the Non-Employee Director has made a timely Deferral Election. The shares of Common Stock that a Non-Employee Director elects to defer shall be treated as if they were set aside in the Non-Employee Director's Account on the date the shares of Common Stock would otherwise have been paid to the Non-Employee Director. A Non-Employee Director's Account then will be credited with gains, losses and earnings as provided herein and will be debited for any payments made to the Non-Employee Director from such Account. A Non-Employee Director's "Account" means each bookkeeping Account maintained by the Committee on behalf of each Non-Employee Director pursuant to this Appendix A. A separate "Account" will be established and maintained for each Plan Year as part of the Non-Employee Director's Accounts with respect to which Non-Employee Director Fees and/or RSUs that are deferred under the Plan.

(b) A Non-Employee Director's shares of Common Stock that are deferred into the Plan and allocated to the Non-Employee Director's Account will be deemed invested in an investment fund that tracks the performance of the Company's Common Stock (the "**Company Stock Unit Fund**") (irrevocably until such amounts are distributed to the Non-Employee Director). Any stock dividends, cash dividends or other non-cash dividends that are paid thereafter with respect to the shares of Common Stock deemed to be held in the Non-Employee Director's Account shall be credited to the Non-Employee Director's Account in the form of additional shares of Common Stock and shall automatically be deemed to be invested in the Company Stock Unit Fund (irrevocably until distribution to the Non-Employee Director of the shares of Common Stock with respect to which the dividends were credited). The number of shares credited to the Non-Employee Director for a particular stock dividend with respect to shares of Common Stock credited to the Non-Employee Director's Account shall be equal to (A) the number of shares of Common Stock credited to the Non-Employee Director's Account as of the record date for such dividend in respect of each share of Common Stock, multiplied by (B) the number of additional or fractional shares of Common Stock actually paid as a dividend in respect of each share of Common Stock. The number of shares credited to the Non-Employee Director for a cash dividend or other non-cash (non-Stock) dividend with respect to shares of Common Stock credited to the Non-Employee Director's Account shall be equal to (A) the number of shares of Common Stock credited to the Non-Employee Director's Account as of the record date for such dividend in respect of each share of Common Stock, multiplied by (B) the fair market value of the dividend, divided by (C) the fair market value of the Common Stock on the payment date for such dividend. Non-Employee Directors may not select any other investment fund to which any such amounts are to be credited.

(c) The number of shares of Common Stock credited to the Non-Employee Director's Account may be adjusted by the Plan Administrative Committee, in its sole discretion, to prevent dilution or enlargement of Non-Employee Director's rights with respect to the portion of his Account allocated to the Company Stock Unit Fund in the event of any reorganization, reclassification, stock split, or other unusual corporate transaction or event which affects the value or type of security of the Common Stock, provided that any such adjustment shall be made taking into account any crediting of shares of Common Stock to the Non-Employee Director otherwise required herein.

(d) For purposes of this Appendix A, the fair market value of the Common Stock shall be determined to be an amount equal to the closing sales price of a share of Common Stock on The NASDAQ Stock Market ("NASDAQ") (as reported in *The Wall Street Journal*) on the applicable date or, if no sales of shares of Common Stock occur on said date, the closing sales price of the Common Stock on the last preceding day on which there was a sale of shares of Common Stock on that exchange.

1.7 Vested Interest.

Each Non-Employee Director shall have at all times a fully vested and nonforfeitable interest in his Accounts.

1.8 Time and Form of Payment.

(a) Notwithstanding any other provision of the Plan, a Non-Employee Director's Account for each Plan Year shall be distributed, in the form of payment elected by the Non-Employee Director in the applicable Deferral Election or as otherwise set forth in the Plan, upon the Non-Employee Director's Separation from Service, subject to delay to the extent required by Section 409A of the Code. If the Non-Employee Director's Account is to be distributed in a single lump sum, such Account shall be distributed in full no later than sixty (60) days after the date of the Non-Employee Director's Separation from Service. If the Non-Employee Director's Account is to be distributed in the form of annual or quarterly installments, such Account shall be distributed in that number of approximately equal annual or quarterly installments over the specified period (not to exceed five (5) years) elected by the Non-Employee Director in the applicable Deferral Election, with the first installment to be made no later than sixty (60) days after the date of the Non-Employee Director's Separation from Service and subsequent installments on each subsequent annual or quarterly anniversary of the date of the Non-Employee Director's Separation from Service until the entire Account is distributed in full. Notwithstanding the foregoing, if the Non-Employee Director is a "specified employee" within the meaning of Section 409A(a)(2)(B) of the Code as of the Non-Employee Director's Separation from Service, the Non-Employee Director's Account may not be distributed before the first day of the seventh (7^{th}) calendar month following the Non-Employee Director's Separation from Service (or, if earlier, upon the Non-Employee Director's death) to the extent required to be delayed by Section 409A of the Code, and any distribution that would otherwise be paid before such date shall be delayed and paid within the thirty (30) days following the first day of the seventh (7^{th}) calendar month following the Non-Employee Director's Separation from Service (or, if earlier, upon the Non-Employee Director's death).

(b) The portion of the Non-Employee Director's Account relating to deferrals of shares of Common Stock otherwise issuable under RSUs with respect to which the Non-Employee Director made a timely Deferral Election and any related stock dividends shall be distributed in actual whole shares of Common Stock equal to the number of shares of Common Stock credited to that portion of the Non-Employee Director's Account rounded down to the nearest whole share of Common Stock). Such shares of Common Stock shall be paid from the Incentive Plan under which the RSUs subject to the Deferral Election were granted originally. The portion of a Non-Employee Director's Account relating to deferrals of Non-Employee Director Fees, and/or cash dividends, or other non-cash (non-stock) dividends that are credited with respect to the shares of Common Stock deemed to be held in the Non-Employee Director's Account shall be distributed in cash, provided, however, if shares of Common Stock are otherwise available for distribution under an Incentive Plan to pay any such deferrals of Non-Employee Director Fees and/or cash dividends or other non-cash (non-stock) dividends that are credited with respect to the shares of Common Stock deemed to be held in the Non-Employee Director's Account, the Plan Administrative Committee may determine, in its sole discretion, that such amounts shall be distributed in whole shares of Common Stock (rounded down to the nearest whole share of Common Stock). The portion of a Non-Employee Director's Account relating to any deferrals of Non-Employee Director Fees and/or cash dividends or other non-cash (non-stock) dividends that are to be paid in cash shall be determined by multiplying the number of shares of Common Stock credited to the portion of the Non-Employee Director's Account that is to be paid in cash by the fair market value of a share of the Common Stock as of the end of the calendar month immediately preceding the date such portion of the Non-Employee Director's Account is to be distributed in cash (rounded down to the nearest whole cent).

1.9 Termination.

A Non-Employee Director's right to defer Non-Employee Director Fees and/or annual equity awards shall cease with respect to the calendar year following the calendar year in which he ceases to be a Non-Employee Director, although such Non-Employee Director shall continue to be subject to the terms and conditions of the Plan for so long as the Non-Employee Director remains a Participant."

SCANSOURCE, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
(Effective January 1, 2021)

Exhibit A - General Plan Information

Plan Name

ScanSource, Inc. Nonqualified Deferred Compensation Plan

Plan Sponsor

ScanSource, Inc.
6 Logue Court
Greenville, South Carolina 29615
(864) 286-4682

Employer Identification Number (EIN)

57-0965380

Plan Type

The Plan is a nonqualified deferred compensation plan that pays retirement benefits to eligible employees and directors.

Plan Administrator

Plan Administrative Committee
ScanSource, Inc.
6 Logue Court
Greenville, South Carolina 29615
(864) 286-4682

Agent for Service of Legal Process

c/o Corporate Creations Network Inc.
ScanSource, Inc.
6650 Rivers Avenue
North Charleston, South Carolina 29406

Plan Year

The calendar year.

SCANSOURCE, INC. NONQUALIFIED DEFERRED COMPENSATION PLAN
(Effective January 1, 2021)

Exhibit B – Statement of ERISA Rights

As participant in this Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

- examine, without charge at the Plan Administrative Committee's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including collective bargaining agreements, and a copy of the latest Annual Report (Form 5500 series), if any, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration (f/k/a the Pension Welfare Benefits Administration).

- obtain copies of all documents governing the operation of the Plan including collective bargaining agreements and copies of the latest Annual Report (Form 5500 series), if any, and an updated summary plan description, by making a written request to the Plan Administrative Committee and paying a reasonable charge for the copies.

- receive a summary of the Plan's annual financial report

  . The Plan Administrative Committee is required by law to furnish each participant under the Plan with a copy of this summary annual report.

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in your interest and in the interest of the other Plan participants and beneficiaries.

No one, including your employer, your union, or any other person may fire you or otherwise discriminate against you, in any way solely to prevent you from getting a benefit or exercising your rights under ERISA. If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest Annual Report from the Plan and do not receive them within thirty (30) days, you may file suit in federal court. In such a case, the court may require the Plan Administrative Committee to provide the documents and pay you up to $110 a day until you receive them, unless they were not sent because of reasons beyond the control of the Plan Administrative Committee.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If your suit is successful, the court may order the person you have sued to pay costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you have any questions about the Plan, you should contact the Plan Administrative Committee. If you have any questions about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrative Committee, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

Exhibit 31.1

Certification Pursuant to Rule 13a-14(a) or 15d-14(a)
of the Exchange Act, as adopted Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Michael L. Baur, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ Michael L. Baur

Michael L. Baur, Chairmen, Chief Executive Officer and President
(Principal Executive Officer)

Date: May 10, 2021

Exhibit 31.2

Certification Pursuant to Rule 13a-14(a) or 15d-14(a)
of the Exchange Act, as adopted Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, Steve Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ScanSource, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Steve Jones

Steve Jones, Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 2021

Exhibit 32.1

Certification of the Chief Executive Officer of ScanSource, Inc.
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the "Company") on Form 10-Q for the quarter and nine months ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 10, 2021

/s/ Michael L. Baur
Michael L. Baur,
Chairmen, Chief Executive Officer and President
(Principal Executive Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of the Chief Financial Officer of ScanSource, Inc.
Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to § 906
of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of ScanSource, Inc. (the "Company") on Form 10-Q for the quarter and nine months ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 10, 2021

/s/ Steve Jones
Steve Jones
Senior Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished solely to comply with the provisions of § 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the accompanying Report, including for purposes of Section 18 of the Exchange Act, or as a separate disclosure document. A signed original of this written certification required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written certification required by Section 906, has been provided to the Company and will be rendered by the Company and furnished to the Securities and Exchange Commission or its staff upon request.