

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

FORM 10-K

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

For the fiscal year ended June 30, 2023

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 Each Exchange on Which Registered
Common Stock, no par value	SCSC	NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act:
None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically on its corporate Web site, if any, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting common stock of the Registrant held by non-affiliates of the Registrant at December 31, 2022 was \$734,745,929, as computed by reference to the closing price of such stock on such date.

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 August 11, 2023
Common Stock, no par value per share	24,844,203 shares

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this report certain portions of either an amendment to this Form 10-K or its proxy statement for its 2024 Annual Meeting of Shareholders, which are expected to be filed within 120 days after the end of the registrant's fiscal year ended June 30, 2023.

FORWARD-LOOKING STATEMENTS

Forward-looking statements are included in the "Business," "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-K 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 Annual Report on Form 10-K. 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 following factors, which are neither presented in order of importance nor weighted: macroeconomic conditions, including potential prolonged economic weakness, inflation and supply chain challenges, 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, economic weakness and inflation, risk to the Company's business from a cyberattack, a failure of the Company's IT systems, failure to hire and retain quality employees, loss of the Company's major customers, relationships with the Company's key suppliers and customers or a termination or a modification of the terms under which it operates with these key suppliers and customers, changes in the Company's operating strategy and the other factors set forth in "Risk Factors" contained herein.

TABLE OF CONTENTS

	Page
<u>PART I</u>	<u>1</u>
Item 1. Business	1
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments	17
Item 2. Properties	17
Item 3. Legal Proceedings	18
Item 4. Mine Safety Disclosures	18
<u>PART II</u>	<u>19</u>
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. [Reserved]	20
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	21
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	37
Item 8. Financial Statements and Supplementary Data	38
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	79
Item 9A. Controls and Procedures	79
Item 9B. Other Information	79
Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	79
<u>PART III</u>	<u>80</u>
Item 10. Directors, Executive Officers and Corporate Governance	80
Item 11. Executive Compensation	80
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	80
Item 13. Certain Relationships and Related Transactions, and Director Independence	80
Item 14. Principal Accountant Fees and Services	80
<u>PART IV</u>	<u>81</u>
Item 15. Exhibits and Financial Statement Schedules	81
Item 16. Form 10-K Summary	82
<u>Signatures</u>	<u>83</u>

PART I

ITEM 1. Business.

ScanSource, Inc. (together with its subsidiaries referred to as the "Company" or "ScanSource" or "we") is a leading hybrid distributor connecting devices to the cloud and accelerating growth for customers across hardware, Software as a Service ("SaaS"), connectivity and cloud. ScanSource enables customers to deliver solutions for their end users to address changing buying and consumption patterns. ScanSource sells through multiple, specialized routes-to-market with hardware, SaaS, connectivity and cloud service offerings from the world's leading technology suppliers. We provide technology solutions and services from more than 500 leading suppliers of mobility, barcode, point-of-sale ("POS"), payments, physical security, networking, unified communications, collaboration (UCaaS, CCaaS), connectivity and cloud services.

ScanSource was incorporated in South Carolina in 1992 and serves approximately 30,000 customers. Net sales for fiscal year ended June 30, 2023 totaled \$3.79 billion. Our common stock trades on the NASDAQ Global Select Market under the symbol "SCSC."

Our customers are businesses of all sizes that sell to end-customers across many industries. Our customer channels include value-added resellers ("VARs"), customers or agents, independent sales organizations ("ISOs") and independent software vendors ("ISVs"). These customer channels provide us with multiple routes-to-market. We align our teams, tools and processes around all of our customers to help them grow through reducing their costs, creating efficiencies and generating end-customer demand for business solutions. We enable our customers to create, deliver and grow hybrid technology offerings for end-customers across almost every vertical market in the United States, Canada, Brazil and the United Kingdom ("UK").

In fiscal year 2021, we completed the sale of our product distribution businesses in Europe, the UK, Mexico, Colombia, Chile, Peru and our Miami-based export operations (the "Divestitures"). Management determined that the Company did not have sufficient scale in these markets to maximize our value-added model for physical product distribution, leading us to focus and invest in our higher margin businesses. The Divestitures are reported as discontinued operations within this Form 10-K. Unless otherwise indicated, descriptions of our business and amounts reported in this Form 10-K pertain to continuing operations only.

Strategy

Our strategy is to drive sustainable, profitable growth by orchestrating hybrid technology solutions through a growing ecosystem of partners leveraging our people, processes, and tools. Our goal is to provide exceptional experiences for our partners, suppliers, and people, and we strive for operational excellence. Our hybrid distribution strategy relies on a channel sales model to offer hardware, SaaS, connectivity and cloud services from leading technology suppliers to customers that solve end users' challenges. ScanSource enables customers to deliver solutions for their end users to address changing buying and consumption patterns. Our solutions may include a combination of offerings from multiple suppliers or give our customers access to additional services. As a trusted adviser to our customers, we provide customized solutions through our strong understanding of end user needs.

Value Proposition

Our customer channels and supplier relationships serve as competitive advantages. From our pivotal position at the intersection of technology distribution trends, we provide robust value to both our customers and our suppliers. We make it easier for our sales partners and suppliers to deliver leading technology solutions that drive business outcomes for end users.

Value proposition for our customers/sales partners:

- Enable end-user consumption preferences
- Provide pre-sale engineering
- Make it easier to sell the technology stack
- Inventory availability
- Offer training, education and marketing services
- Provide custom configuration, services, platforms and digital tools
- Offer innovative financial solutions for our customers

Value proposition for our suppliers:

- Expand reach at a variable cost
- Provide access to multiple routes to market
- Lower customer acquisition cost
- Recruit and train new sales partners
- Manage channel credit

Financial Strength

Our consolidated balance sheet reflects financial strength. Our strong balance sheet and cash generated from our business provide us with the ability to execute our capital allocation plan, which includes organic growth and strategic acquisitions. We have the financial flexibility to invest in our business and in future growth.

Business Segments

We operate our business under a management structure that enhances our technology focus and hybrid distribution growth strategy. Our segments operate in the United States, Canada, Brazil and the UK and consist of the following:

- Specialty Technology Solutions
- Modern Communications & Cloud

Specialty Technology Solutions Segment

The Specialty Technology Solutions portfolio includes enterprise mobile computing, data capture, barcode printing, POS, payments, networking, electronic physical security, cybersecurity and other technologies. There are adjacencies among these technologies to develop and deliver solutions for our customers. These solutions include data capture and POS solutions that interface with computer systems 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 and intrusion-related devices. Our networking products include wireless and networking infrastructure products. This segment also includes recurring revenue from hardware rentals and other SaaS offerings.

Modern Communications & Cloud Segment

The Modern Communications & Cloud portfolio of solutions includes communications technologies and services for voice, video conferencing, wireless, data networking, cybersecurity, 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. This segment includes recurring revenue from our Intelisys and intY businesses.

Customers

Our customers, or sales partners, are businesses of all sizes that sell to end users across industries ranging from manufacturing, warehouse and distribution, retail and e-commerce, hospitality, transportation and logistics, government, education and healthcare, among others. Our customers provide us with multiple, specialized routes-to-market through various channels, including: VARs, agents, ISOs and ISVs. No single customer accounted for more than 4% of our total net sales for the fiscal year ended June 30, 2023.

VARs

Within VARs, our customers include specialty technology VARs, direct marketers, IT system integrators, network integrators, service providers, managed service providers and cloud service providers. Specialty technology VARs focus on one or more technologies, providing specialized knowledge and expertise for technology solutions, such as tailored software or integrated hardware. Direct marketers provide a very broad range of technology brands to business, government, education and healthcare markets. IT system integrators and network integrators develop computer and networking solutions for end-customers' IT

needs. Service providers, managed service providers and cloud service providers deliver advanced multi-discipline services with customized solutions that bundle data, collaboration, cloud, network and digital telecommunication services for end-customers' needs.

Agents

Agents focus on selling telecommunications and cloud services to end-customers, advising about various services, technologies and cost alternatives to help them make informed choices. Agents typically earn monthly commissions on multi-year contract sales as they build their recurring revenue business.

Independent Sales Organizations

ISOs focus on selling credit card processing and finding new merchant customers for credit card member banks. They offer on-going customer service and support and look to bundle hardware, software and processing services.

Independent Software Vendors

ISVs develop software, apps and integrated solutions. They generally focus on cloud solutions and sell or certify bundled hardware, software and service solutions.

Suppliers

We provide products and services from approximately 500 suppliers, including 8x8, AT&T, Aruba/HPE, Avaya, Axis, Cisco, Comcast Business, Datalogic, Dell, Elo, Epson, Equinix, Extreme, F5, Five9, Fortinet, Genesys, Granite, GTT, Hanwha, Honeywell, Ingenico, Jabra, Logitech, Lumen, Microsoft, MetTel, Mitel, NCR, NICE CXone, Poly HP, RingCentral, Spectrum, Toshiba Global Commerce Solutions, Trend Micro, Ubiquiti, Verifone, Verizon, VMWare, Windstream, Zebra Technologies and Zoom.

We provide products and services from many of our key suppliers in all of our geographic markets; however, certain suppliers only allow distribution to specific geographies. We typically purchase products directly from the supplier and our supplier agreements generally do not restrict us from selling similar or competitive products or services. We have the flexibility to terminate or curtail sales of one product line in favor of another due to technological change, pricing considerations, product availability, customer demand or supplier distribution policies.

Products from two suppliers, Cisco and Zebra, each constituted more than 10% of our net sales for the fiscal year ended June 30, 2023.

- We have three non-exclusive agreements with Cisco. One agreement covers the distribution of Cisco products in the United States and has a two year term. The second agreement covers the distribution of products in Brazil and has a two year term. Each of these agreements must be renewed by written agreement. Either party may terminate these agreements upon 30 days' notice to the other party. The third agreement is an agency contract for North America and has a two year term. Either party may terminate this agreement upon 60 days' prior written notice.
- We have three non-exclusive agreements with Zebra. One agreement covers sales of Zebra Enterprise Visibility & Mobility ("EVM") products in North America and Brazil, while the other two agreements cover sales of Zebra Asset Intelligence & Tracking ("AIT") products in North America and Brazil. The Zebra agreements each have a one year term that automatically renews for additional one year terms. Either party may terminate the EVM agreement upon 30 days' notice to the other party. Either party may terminate the AIT agreement for North America upon 60 days' notice to the other party. Either party may terminate the AIT agreement for Brazil upon 90 days' notice to the other party.

In addition to the agreements mentioned above, we have written agreements with almost all of our other suppliers. These agreements generally include the following terms:

- Non-exclusive distribution rights to resell products and related services in geographical areas (supplier agreements often include territorial restrictions that limit the countries in which we can sell their products and services).

- Short-term periods, subject to periodic renewal, and provide for termination by either party without cause upon 30 to 120 days' notice.
- Stock rotation rights, which give us the ability, subject to limitations, to return for credit or exchange a portion of the items purchased.
- Price protection provisions, which enables us to take a credit for declines in inventory value resulting from the supplier's price reductions.

Along with our inventory management policies and practices, these stock rotation rights and price protection provisions are designed to reduce our risk of loss due to slow-moving inventory, supplier price reductions, product updates and obsolescence.

We participate in various rebate, cash discount and cooperative marketing programs offered by our suppliers to support expenses associated with selling and marketing the suppliers' products and services. These rebates and purchase discounts are largely influenced by sales volumes and are subject to change.

Our suppliers generally warrant their products we sell and allow returns of defective products, including those returned to us by our customers. For certain of our product offerings, we offer a self-branded warranty program. We purchase contracts from unrelated third parties, generally the original equipment manufacturers, to fulfill our obligations to service or replace defective product claimed on these warranty programs. To maintain customer relations, we also facilitate returns of defective products from our customers by accepting for exchange, with our prior approval, most defective products within 30 days of invoicing. In addition, local laws may in some cases impose warranty obligations on the Company.

Offerings and Markets

We currently market over 65,000 products from approximately 500 hardware, software and service suppliers to approximately 30,000 customers. We sell products and services to the United States and Canada from our facilities located in Mississippi, California and Kentucky; into Brazil from facilities located within the Brazilian states of Paraná, Espírito Santo and Santa Catarina. We provide some of our digital products, which include SaaS and subscriptions, through our digital tools and platforms. See "Risk Factors" for a discussion of the risks related to our foreign operations.

Our offerings to our customers include hardware, software, services and connectivity across premise, hybrid and cloud environments. We believe that customers want to offer end users complete technology solutions that solve end-user challenges and deliver positive outcomes. We align our people, processes and tools to help our sales partners grow by providing more hybrid solutions through a better understanding of end-customer needs. We are able to provide a combination of offerings from multiple suppliers or give our sales partners access to additional services, including configuration, key injection, integration support and others to deliver solutions.

We provide our customers and suppliers with an array of pre-sale business tools and value-added services, including market and technology solution expertise, education and training, product configuration tools, technical support, logistics and channel financial services. These services allow our customers to gain knowledge and experience on marketing, negotiation and selling, to improve customer service, to profitably grow their business and be more cost effective. Our business is enhanced by our ability and willingness to provide the extra level of services that keeps both our sales partners and suppliers satisfied.

We offer technology solutions and services that include the following:

- *Mobility and Barcode*: We offer automatic identification and data capture ("AIDC") technology that incorporates the capabilities for electronic identification and data processing without the need for manual input. These solutions consists of a wide range of products that include portable data collection terminals, wireless products, barcode label printers and scanners. As AIDC technology has become more pervasive, applications have evolved from traditional uses, such as inventory control, materials handling, distribution, shipping and warehouse management, to more advanced applications, such as healthcare.
- *POS*: We provide POS solutions for retail, grocery and hospitality environments to efficiently manage in-store sales and operations. POS solutions include computer-based terminals, tablets, monitors, payment processing solutions, receipt printers, pole displays, cash drawers, keyboards, peripheral equipment and fully integrated processing units. These solutions may include self-service checkout, kiosks and products that attach to the POS network in the store, including network access points, routers and digital signage.

- *Payments:* We offer payment terminals, comprehensive key injection services, reseller partner branding, extensive key libraries, ability to provide point-to-point encryption, and redundant key injection facilities. We have the resources to deliver secure payment devices that are preconfigured and ready for use. In addition, we partner with ISVs to deliver to merchants integrated tablet POS solution hardware that a merchant may purchase outright or “as a service,” and which includes merchant hardware support and next-day replacement of tablets, terminals and peripherals.
- *Physical Security and Networking:* We provide electronic physical security solutions that include identification, access control, video surveillance and intrusion-related products. Physical security products are used every day across every vertical market to protect lives, property and information. These technology solutions require specialized knowledge to deploy effectively, and we offer in-depth training and education to our sales partners to enable them to maintain the appropriate skill levels. Our networking products include wireless and networking infrastructure products.
- *Communications and Collaboration:* We offer communications and collaboration solutions, delivered in the cloud, on-premise or hybrid, such as voice, video, integration of communication platforms and contact center solutions. These offerings combine voice, video and data with computers, telecommunications and the internet to deliver communications solutions on-premise. Software and hardware products include IP-based telephony platforms, Voice over Internet Protocol systems, private branch exchanges, call center applications, video conferencing, desk phones, headsets and cloud-enabled endpoints. Cloud-delivered services, such as unified communications, contact center and video conferencing, enable end-customers to consume and pay for communications services typically on a monthly subscription basis.
- *Connectivity and Cloud Services:* We offer business communications services, including voice, data, access, cable collaboration, wireless and cloud. We focus on empowering and educating sales partners so they can advise end-customers in making informed choices about services, technology and cost savings. Through our digital tools and platforms, we offer sales partners another way to grow their recurring revenue practices, and take the friction out of acquiring, provisioning and managing SaaS offerings. We have contracts with more than 200 of the world’s leading telecom carriers and cloud services providers.

People and Culture

As a people-first organization, respecting and protecting our people and our partners are our top priorities. From ensuring and supporting an inclusive and diverse workforce and partner base; providing a safe, healthy work environment; and working with suppliers and partners that share this commitment, we are dedicated to doing what is right for our employees, channel partners and end customers.

General

Our real competitive advantage is our people, working together to help our customers and partners grow their businesses. The foundation of ScanSource has always been based on strong values and culture with the clear vision of people first. In a changing environment, ScanSource is investing in new infrastructure, tools and programs to ensure a "productivity anywhere" outcome, in the new hybrid working world. In 2023, the Company was named one of the Best Places to Work in South Carolina for the eighth consecutive year.

As of June 30, 2023, we have approximately 2,300 employees, of which approximately 1,500 are in the United States and 800 are located internationally in Canada, Brazil and the UK. We have no organized labor or trade unions in the United States. As of June 30, 2023 we have 10 office locations in the U.S. and three distribution centers, eight office locations outside of the U.S., and have a remote employee presence.

Professional Development

We want to help our employees succeed—both personally and professionally. We focus heavily on the intellectual and professional development of our employees, and we strive to create an immersive working environment for them. To promote personal and professional growth, we also encourage our employees to pursue ongoing training and career development opportunities, and we provide tuition assistance and reimbursement for certain pre-approved continuing education programs and professional certifications. We enhanced our learning management system, The Hub, to provide a modernized and engaging user experience for our global employees at all levels. The ScanSource Leadership Institute ("SLI") is another

important program that focuses on identifying and helping to develop the next wave of senior leaders for the Company. The SLI program brings together twelve hand-selected leaders from our global offices for a two-week program of intensive training and development. While this provides a tool for an individual's education and growth, it also nurtures cross-functional collaboration with colleagues through a unique social capability.

Benefits

We offer a comprehensive benefits package which includes traditional health insurance, as well as telemedicine alternatives, life insurance, disability insurance and work-life balance resources. The financial future of our employees is important to us, which is why we have a 401(k) program with a market-competitive employer match, performance-based bonus program and employee ownership opportunities for a meaningful portion of our employees through our Employee Stock Purchase Plan, as well as our equity incentive grants. We partner with Fidelity to provide employees access to knowledge and tools to help manage or plan for student loan debt. To expand our financial wellness offerings, we offer workshops and webinars focused on student debt and general debt-counselling services.

Health and Safety

We care about our employees' overall well-being and encourage them to have a healthy lifestyle, both physically and mentally. That's why we offer dedicated resources to help foster a work/life balance. We have implemented a work-from-home policy for all employees across geographies, outside of our distribution centers. We are pleased with how our employees have adjusted to this new way of doing business, maintaining an extremely high level of productivity and performance. With a largely remote workforce, it is critical that we continue to focus on our employees' health. We continue to build our 360you program, which provides employees with extensive education and training/coaching opportunities, wellness and fitness challenges, and other valuable resources.

Diversity and Inclusion

One of our core values is to promote an environment that respects and values the diverse backgrounds, interests and talents of our employees. ScanSource is committed to a diverse and inclusive workplace with our comprehensive Diversity & Inclusion (D&I) program, led by our first Chief Diversity Officer ("CDO") and an internal D&I Advisory Council. The Council is an employee-led group focused on sharing insights, ideas, and opinions from our employee base to assist in the implementation of our DEI plan. To support our goal of becoming a more inclusive workplace, our DEI strategic plan focuses on awareness and education, workforce representation, partner diversity, and community relations. Additionally, initiatives including a D&I book and movie club, educational DEI opportunities, and global employee resource groups are allowing interested employees to broaden their knowledge on various topics in this space.

Board Role in People and Culture Management

Our Board of Directors believes that people and culture management is an important component of our continued growth and success and is essential for our ability to attract, retain and develop talented and skilled employees. We pride ourselves on a culture that respects co-workers and values concern for others. Our Board provides oversight of the Company's policies and strategies relating to talent including corporate culture, diversity and inclusion, and employee development, as well as the Company's compensation principles and practices. Our Board, through the Compensation Committee, evaluates and approves the Company's compensation plans, policies, and programs applicable to our senior executives. Our Board also engages in an active succession planning process.

Digital Workplace

Employee outreach and engagement remain critical to the continued success and growth of ScanSource. Inclusion, participation, and appreciation are key components in retaining talent, maintaining our culture, and keeping employees engaged. In support of that, in 2023, we launched a new global digital workplace, The Bridge, as our new corporate intranet. We are excited to enhance global communication, increase employee recognition, and celebrate milestones through this engaging new platform.

Employee Feedback

We foster opportunities for employee engagement and have multiple avenues for communication, which allows all full-time employees to anonymously give us feedback on our workplace culture, employee programs, and more. We also implement employee engagement surveys globally to gather feedback and build the best environment possible for our employees.

Competition

We believe we are a leader in the specialty markets we serve. The market for technology products and solutions is highly competitive, both in the United States and internationally. Competitive factors include price, product availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability, ability to tailor specific solutions to customer needs, quality and breadth of product lines and services and availability of technical and product information.

Our competitors include local, regional, national and international distributors, as well as suppliers that sell directly to resellers and to end users. In addition, our competitors include resellers that sell to franchisees, third-party dealers and end users. Competition has increased over the last several years as broad line and other value-added distributors have entered into the specialty technology markets. Such competition could also result in price reductions, reduced margins and loss of market share.

In our Specialty Technology Solutions segment, we compete with broad-line distributors, such as Ingram Micro and TD Synnex, in most geographic areas, and more specialized security distributors, such as ADI and Wesco. We also compete against other smaller, more specialized AIDC and POS distributors, such as BlueStar. In our Modern Communications & Cloud segment, we compete against broad-line distributors, such as Ingram Micro and TD Synnex, and more specialized distributors, such as Jenne. Additionally, for Intelisys' technology services, we compete against other smaller, technology services distributors, such as Avant and Telarus. For our intY business, we compete against other developers of cloud software and services platforms, such as CloudBlue and Pax8. As we seek to expand our business into other areas closely related to our offerings, we may encounter increased competition from current competitors and/or from new competitors, some of which may be our current customers.

Sales

Our sales organization consists of inside and field sales representatives located in the United States, Canada, the UK and Brazil. The majority of our sales partners are assigned to a dedicated sales representative or team whose main focus is developing customer relationships and providing our customers with solutions to meet their end-customer's needs. Our sales teams are advocates for and trusted advisers to our customers. Sales teams are responsible for developing technical expertise within broad product markets, recruiting sales partners, creating demand, negotiating pricing and reviewing overall product and service requirements of our customers. Our sales representatives receive comprehensive training with respect to the technical characteristics of suppliers' products, supplemented by frequent product and service seminars conducted by supplier representatives and bi-weekly meetings among product, marketing and sales managers.

Our sales teams also provide customers with online ordering, API, EDI and other information systems, allowing customers to easily gain access to product specifications, availability and customized pricing, as well as the ability to place and follow the status of orders.

Marketing

We market our technology solutions and services through a range of digital and print channels, including online product catalogs customized for our North American and Brazilian markets; social media; search engine optimization and marketing; content marketing; content automation; e-commerce; email direct marketing, among others. Our marketing practices are tailored to fit the specific needs of our customers and suppliers - ensuring we help our partners create, deliver and manage solutions for end users across our vertical markets. Our comprehensive marketing efforts include sales promotions, advertisements, management of sales leads, trade show design and event management, advertorials, content creation, partner events and training and certification courses with leading suppliers in an effort to recruit prospective sales partners.

Operations

Information Technology Systems

Our information systems are scalable and capable of supporting numerous operational functions including purchasing, receiving, order processing, shipping, inventory management and accounting. Our customers and employees rely on our information systems for online, real-time information on pricing, inventory availability and reservation and order status. Our warehouse operations use bar code technology for receiving and shipping and automated systems for freight processing and shipment tracking, each of which is integrated with our multiple information systems. The customer service and technical support departments employ systems for documentation and faster processing of sales partner inquiries. To ensure that adequate inventory levels are maintained, our buyers depend on the system's purchasing and receiving functions to track inventory on a perpetual basis.

Warehouse and Shipping Strategy

We operate a 741,000 square foot distribution center in Southaven, Mississippi, which is located near the FedEx hub facility in Memphis, Tennessee, and primarily serves North America. We also acquired warehouses in California and Kentucky through our POS Portal acquisition. Our principal warehouses for our Brazil operations are located in the Brazilian states of Paraná, Espírito Santo and Santa Catarina. Our objective is to ship all orders on the same day, using technology to expedite shipments and minimize shipping errors. We offer reduced freight rates and flexible delivery options to minimize our sales partners' need for inventory.

Financial Services

Our sales terms include trade credit, various third-party financing options, which include leasing, flooring and other secured financing for qualified customers. These sales terms allow us to compete within our specific geographic areas to facilitate our growth plans. We believe these options reduce the customer's need to establish multiple credit relationships.

Trade and Service Marks

We conduct our business under the trade names "ScanSource POS and Barcode," "ScanSource Catalyst," "ScanSource Communications," "ScanSource Services," "ScanSource Networking and Security," "ScanSource KBZ," "ScanSource Brasil," "Network1, a ScanSource company," "Intelisys," "POS Portal," "RPM Software, a ScanSource company" and "intY, a ScanSource company."

Certain of our tradenames, trademarks and service marks are registered, or are in the process of being registered, in the United States or various other countries. We have been issued registrations for many of our marks including, among others, "ScanSource," "Catalyst Telecom," and "Network1" in countries in our principal markets. Even though our marks are not registered in every country where we conduct business, in many cases we have acquired rights in those marks because of our continued use of them. These marks do not have value assigned to them and have a designated indefinite life. We do not believe that our operations are dependent upon any of our marks. We also sell products and provide services under various third-party tradenames, trademarks and service marks, some of which we reference in this report, and these tradenames, trademarks and service marks are the property of their respective owners.

Additional Information

Our principal internet address is www.scansource.com. The information contained on, or that can be accessed through, our website is not incorporated by reference into this annual report. We provide our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments to those reports, free of charge on www.scansource.com, as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC").

ITEM 1A. Risk Factors.

The following are certain risks that could affect our business, financial position and results of operations. These risks should be considered in connection with evaluating an investment in our company and, in particular, the forward-looking statements contained in this Report because these risks could cause the actual results to differ materially from those suggested by the forward-looking statements. These factors are neither presented in order of importance nor weighted. Additionally, there are other risks which could impact us that we may not describe, because we currently do not perceive them to be material or because they are presently unknown. If any of these risks develops into actual events, our business, financial condition and

results of operations could be negatively affected, the market price of our common stock could decline and you may lose all or part of your investment in our common stock. We expressly disclaim any obligation to update or revise any risk factors, whether as a result of new information, future events or otherwise, except as required by law.

Risk Factors Related to our Operations

People - If we cannot continue to hire and retain high quality employees, our business and financial results may be negatively affected.

Our operating results could be adversely affected by increased competition for employees, difficulty in recruiting employees, higher employee turnover or increased compensation and benefit costs. Our employees are important to our success and we are dependent in part on our ability to retain the services of our employees in key roles. We have built our business on a set of core values, and we attempt to hire and retain employees who are committed to these values and our culture of providing exceptional service to our customers and suppliers. In order to compete and to continue to grow, we must attract, retain and motivate employees, including those in executive, senior management, sales, marketing, logistics, technical support and other operating positions.

Many of our employees work in small teams to provide specific services to customers and suppliers. They are trained to develop their knowledge of products, services, programs and practices and customer business needs, as well as to enhance the skills required to provide exceptional service and to manage our business. As they gain experience and develop their knowledge and skills, our employees become highly desired by other businesses. Therefore, to retain our employees and attract new ones, we have to provide a satisfying work environment and competitive compensation and benefits.

Acquisitions - Our growth strategy includes acquisitions of companies that complement or expand our existing business. Acquisitions involve unique risks and uncertainties, including difficulty in identifying and completing potential acquisitions.

We have acquired, and may continue to acquire, companies that complement or expand our existing business in the United States and internationally, and some of these acquisitions may be in business lines where we have little, if any, experience. Acquisitions entail a number of risks, including that the acquired company will not perform as expected and that we will be responsible for unexpected costs or liabilities. In addition, increases in the size and complexity of our business may place a significant strain on our management, operations, technical performance, financial resources and internal financial control and reporting functions, and there are no assurances that we will be able to manage the acquisition process or newly acquired companies effectively.

Our personnel, systems, procedures and controls may not be adequate to effectively manage our future operations, especially as we employ personnel in multiple domestic and international locations. We may not be able to hire, train, retain and manage the personnel required to address our growth. Failure to effectively manage our acquisition opportunities could damage our reputation, limit our future growth, and adversely affect our business, financial condition and operating results.

We may be unable to identify acquisitions or strategic relationships we deem suitable. Even if we do, we may be unable to successfully complete any such transactions on favorable terms or at all, or to successfully integrate an acquired business, facilities, technologies, or products into our business or retain any key personnel, suppliers, or customers. Furthermore, even if we complete such transactions and effectively integrate the newly acquired business or strategic alliance into our existing operations, we may fail to realize the anticipated returns and/or fail to capture the expected benefits, such as strategic or operational synergies or cost savings.

IT Systems - Our ability to manage our business and monitor results is highly dependent upon information and communication systems. A failure of these systems could disrupt our business.

We are highly dependent upon a variety of computer and telecommunication systems to operate our business, including our enterprise resource planning systems. As we are dependent upon our ability to gather and promptly transmit accurate information to key decision makers, our business, results of operations and financial condition may be adversely affected if our information systems do not allow us to transmit accurate information, even for a short period of time. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could adversely affect our reputation, competitive position, business, financial condition and results of operations.

In addition, the information systems of companies we acquire may not meet our standards or we may not be able to successfully convert them to provide acceptable information on a timely and cost-effective basis. Furthermore, we must attract and retain qualified people to operate our systems, expand and improve them, integrate new programs effectively with our existing programs and convert to new systems efficiently when required. Any disruption to our business due to such issues, or an increase in our costs to cover these issues, could have an adverse effect on our financial results and operations.

Our customers rely on our electronic ordering, information systems and website for product information, including availability, pricing and placing orders. Our systems were disrupted during our recent ransomware incident, and there can be no assurance that our systems will not fail or experience disruptions again in the future, and any significant failure or disruption of these systems could prevent us from making sales, ordering and delivering products and otherwise conducting our business.

Supply Chain issues, include a shortage of products, may increase our costs or cause a delay in fulfilling customer orders, completing services or purchasing products and services needed to support our internal operations, resulting in an adverse impact on our financial results.

Our business depends on the timely supply of products in order to meet the demands of our customers.

Manufacturing interruptions or delays, including as a result of the financial instability or bankruptcy of manufacturers, significant labor disputes such as strikes, natural disasters, political or social unrest, pandemics or other public health crises or other adverse occurrences affecting any of our suppliers' facilities, could further disrupt our supply chain. We could experience product constraints due to the failure of suppliers to accurately forecast customer demand or to manufacture sufficient quantities of product to meet customer demand (including as a result of shortages of product components), among other reasons.

Our supply chain is also exposed to risks related to international operations. While we purchase our products primarily in the markets we serve (for example, products for United States customers are primarily sourced in the United States), our vendor partners manufacture or purchase a significant portion of the products we sell outside of the United States, primarily in Asia. Political, social or economic instability in Asia, or in other regions in which our vendor partners purchase or manufacture the products we sell, could cause disruptions in trade, including exports to the United States.

Supply chain issues, including a shortage of technology products and available services, may increase our costs or cause a delay in purchasing technology products needed to support our internal systems and infrastructure or operations, resulting in an impact on our operations and availability of our systems, which could result in a materially adverse effect on our operations and financial results.

Organic growth strategies - If we fail to effectively manage and implement our operating strategies, we may experience a negative effect on our business and financial results.

A significant component of our growth strategy is to expand our channels and expand our existing products and services in our existing channels and entry into new channels. These efforts may divert our resources and systems, require additional resources that might not be available (or available on acceptable terms), result in new or more intense competition, require longer implementation times or greater expenditures than anticipated and otherwise fail to achieve timely desired results, if at all. If we are unable to increase our sales and earnings by expanding our product and service offerings in a cost-effective manner, our results may suffer.

Our ability to successfully manage our organic growth will require continued enhancement of our operational, managerial and financial resources, controls, and models. Our failure to effectively manage our organic growth could have an adverse effect on our business, financial condition and results of operations.

Credit exposure - We have credit exposure to our customers. Any adverse trends or significant adverse incidents in their businesses could cause us to suffer credit losses.

As is customary in our industry, we extend credit to our customers, and most of our sales are on open accounts; we also provide financing to some Intelisys customers based on their future commission flows. As we grow and compete for business, our typical payment terms tend to be longer, and therefore may increase our credit risk.

While we evaluate our customers' qualifications for credit and monitor our extensions of credit, these efforts cannot prevent all credit losses and any credit losses negatively impact our performance. In addition, for financial reporting purposes, we estimate future credit losses and establish reserves. To the extent that our credit losses exceed those reserves, our financial performance will be negatively impacted beyond what is expected. If there is deterioration in the collectability of our receivables, or if we fail to take other actions to adequately mitigate such credit risk, our earnings, cash flows and our ability to utilize receivable-based financing could deteriorate.

In addition, extending credit to international customers involves additional risks. It is often more difficult to evaluate credit risk with a customer or obtain credit protections in our international operations. Also, credit cycles and collection periods are typically longer in our international operations. As a result of these factors and other challenges in extending credit to international customers, we generally face greater credit risk from international sales compared to domestic sales.

Reliance on third parties - We are dependent on third parties for some services, including the delivery of a majority of our products, logistics and warehousing. Changes in shipping terms or the failure or inability of our third-party shippers to perform could have an adverse impact on our business and results of operations.

We rely on third parties to perform certain services for our business and for our customers, which, if not performed by these third parties in accordance with the terms of the arrangement, could result in significant disruptions or costs to our organization, including monetary damages and an adverse effect on our customer relationships.

In particular, we are dependent upon major shipping companies, including FedEx and UPS, for the shipment of our products to and from our centralized warehouses. Changes in shipping terms, or the inability of these third-party shippers to perform effectively, could affect our responsiveness to our customers. From time to time, we have experienced significant increases in shipping costs due to increases in fuel costs and transit losses due to a congested supply chain. Increases in our shipping costs or transit losses may adversely affect our financial results if we are unable to pass on these higher costs to our customers.

In Brazil, we use third parties to provide warehousing and logistics services in order to provide cost-effective operations and scale in certain regions. The failure or inability of one or more of these third parties to deliver products from suppliers to us, or products from us to our customers, for any reason could disrupt our business and harm our reputation and operating results. We work closely with our third-party logistics and warehousing providers to anticipate issues, and also review public information regarding their financial health. However, issues may not be identified quickly, which may lead to lack of or poor execution of services, loss or litigation. Additionally, deterioration of the financial condition of our logistical and warehousing providers could result in delayed responsiveness or delivery failure, which would ultimately affect our responsiveness to our customers and thus may adversely affect our business, financial condition and results of operations.

Inventory - The value of our inventory may be adversely affected by market and other factors.

Our business, like that of other distributors, is subject to the risk that the value of our inventory will be adversely affected by price reductions by manufacturers, by technological changes affecting the usefulness or desirability of our products or by foreign currency fluctuations. Some of our supplier agreements and certain manufacturers' policies have some price protection and stock rotation opportunities with respect to slow-moving or obsolete inventory items; however, these protections are becoming less standard, subject to change, limited in scope and do not protect against all declines in inventory value, excess inventory, or product obsolescence, and in some instances we may not be able to fulfill all necessary conditions or successfully manage such price protection or stock rotation opportunities. In addition, these protections are not always reflected in supplier agreements and their application in a particular situation is dependent upon negotiations with our suppliers. As a result, occasionally we are required to write down the value of excess and obsolete inventory, and should any of these write-downs occur at a significant level, they could have an adverse effect on our business, financial condition and results of operations.

Suppliers - Changes to supply agreement terms or lack of product availability from our suppliers could adversely affect our operating margins, revenue or the level of capital required to fund our operations.

Our future success is highly dependent on our relationships with our suppliers. A significant percentage of our net sales relates to products we purchase from relatively few suppliers, including Cisco and Zebra. As a result of such concentration risk, terminations of supply or services agreements or a change in terms or conditions of sale from one or more of our key suppliers could adversely affect our operating margins, revenue or the level of capital required to fund our operations. Our suppliers have the ability to make adverse changes in their sales terms and conditions, such as reducing the level of purchase discounts and

rebates they make available to us. In addition, our supplier agreements typically are short-term and may be terminated without cause on short notice. We have no guaranteed price or delivery agreements with our suppliers. In certain product categories, limited price protection or return rights offered by our suppliers may have a bearing on the amount of product we are willing to stock. Our inability to pass through to our customers the impact of these changes, as well as if we fail to develop or maintain systems to manage ongoing supplier programs, could cause us to record inventory write-downs or other losses and could have significant negative impact on our gross margins.

We receive purchase discounts and rebates from some suppliers based on various factors, including goals for quantitative and qualitative sales or purchase volume and customer related metrics. Certain purchase discounts and rebates may affect gross margins. Many purchase discounts from suppliers are based on percentage increases in sales of products. Our operating results could be adversely impacted if these rebates or discounts are reduced or eliminated or if our suppliers significantly increase the complexity of their refund procedures and thus increase costs for us to obtain such rebates.

Our ability to obtain particular products or product lines in the required quantities and our ability to fulfill customer orders on a timely basis is critical to our success. Our suppliers have experienced product supply shortages from time to time due to the inability of certain of their suppliers to supply products on a timely basis. Specifically, shortages of computer chips may lead to product constraints and adversely affect our sales volumes and product availability. In addition, our dependence on a limited number of suppliers leaves us vulnerable to having an inadequate supply of required products, price increases, late deliveries and poor product quality. As a result, we have experienced, and may in the future continue to experience, short-term shortages of specific products or be unable to purchase our desired volume of products. Suppliers that currently distribute their products through us, may decide to shift to or substantially increase their existing distribution with other distributors, their own dealer networks, or directly to resellers or end-customers. Suppliers have, from time to time, made efforts to reduce the number of distributors with which they do business. This could result in more intense competition as distributors strive to secure distribution rights with these suppliers, which could have an adverse impact on our operating results. We cannot provide any assurances that suppliers will maintain an adequate supply of products to fulfill all of our customer orders on a timely basis. Our reputation, sales and profitability may suffer if suppliers are not able to provide us with an adequate supply of products to fulfill our customer orders on a timely basis or if we cannot otherwise obtain particular products or product lines.

Increasingly, our suppliers are combining and merging, leaving us with fewer alternative sources. Supplier consolidation may also lead to changes in the nature and terms of relationships with our suppliers. In addition, suppliers may face liquidity or solvency issues that in turn could negatively affect our business and operating results. Any loss or deterioration of a major supplier relationship could adversely affect our business, financial condition and results of operations.

Liquidity and capital resources - Market factors and our business performance may increase the cost and decrease the availability of capital. Additional capital may not be available to us on acceptable terms to fund our working capital needs and growth.

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. We have an increased demand for capital when our business is expanding, including through acquisitions and organic growth. Changes in payment terms with either suppliers or customers could also increase our capital requirements. We have historically relied on cash generated from operations, borrowings under our revolving credit facility and secured and unsecured borrowings to satisfy our capital needs and to finance growth. While we believe our existing sources of liquidity will provide sufficient resources to meet our current working capital and cash requirements, if we require an increase in capital to meet our future business needs or if we are unable to comply with covenants under our borrowings, such capital may not be available to us on terms acceptable to us, or at all. We have 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"). 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 3.50:1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00:1.00 as of 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.

In addition, the cost of borrowings under our existing sources of capital and any potential new sources of capital as a result of variable interest rates may increase, which could have an adverse effect on our financial condition. Changes in how lenders rate our credit worthiness, as well as macroeconomic factors such as an economic downturn, inflation, rising interest rates and

global economic instability may restrict our ability to raise capital in adequate amounts or on terms acceptable to us, and the failure to do so could harm our ability to operate our business.

In addition, our cash and cash equivalents are deposited with various financial institutions located in the various countries in which we operate. We endeavor to monitor these financial institutions regularly for credit quality; however, we are exposed to risk of loss on such funds or we may experience significant disruptions in our liquidity needs if one or more of these financial institutions were to fail or suffer bankruptcy or similar restructuring.

Customers - We operate in a highly competitive environment and good customer relations are critical to our success. There can be no assurance that we will be able to retain and expand our customer relationships or acquire new customers.

Meeting our customers' needs quickly and fairly is critical to our business success. Transactions with our customers generally are performed on a purchase order basis rather than under long term supply agreements. Therefore, our customers can choose to purchase from other sources. From time to time, we experience shortages in availability of some products from suppliers, and this impacts customers' decisions regarding whether to make purchases from us. Anything that negatively influences customer relations can also negatively impact our operating results.

Customer consolidation also may lead to changes in the nature and terms of relationships with our customers. The loss or deterioration of a major customer relationship could adversely affect our business, financial condition and results of operations. Economic recession, higher interest rates and inflation could result in some of our customers shuttering their businesses, thus negatively impacting our business.

Litigation - We routinely are involved in litigation that can be costly and lead to adverse results.

In the ordinary course of our business, we are involved in a wide range of disputes, some of which result in litigation. We are routinely involved in litigation related to commercial disputes surrounding our business activities, intellectual property disputes, employment disputes and accounts receivable collection activity. In addition, as a public company with a large shareholder base, we are susceptible to class-action lawsuits and other litigation resulting from disclosures that we or our officers and directors make (or do not make) and our other activities. Litigation is expensive to bring and defend, and the outcome of litigation can be adverse and significant. Not all adverse outcomes can be anticipated, and applicable accounting rules do not always require or permit the establishment of a reserve until a final result has occurred or becomes probable and estimable. In some instances we are insured or indemnified for the potential losses; in other instances we are not. An uninsured, under insured or non-indemnified adverse outcome in significant litigation could have an adverse effect on our business, financial condition and results of operations. We can make no assurances that we will ultimately be successful in any dispute that we are a party to. See Item 3. "Legal Proceedings" for further discussion of our material legal matters.

Fair value measurement of goodwill and other intangible assets - Changes in the fair value of the assets and liabilities measured at fair value could have a significant effect on our reported earnings.

We have substantial goodwill. On at least an annual basis, we are required to assess our goodwill and other intangible assets, including but not limited to customer relationships, trademarks and trade names, for impairment. This includes continuously monitoring events and circumstances that could trigger an impairment test outside of our annual impairment testing date in the fourth quarter of each year. Testing goodwill and other intangibles for impairment requires the use of significant estimates and other inputs outside of our control. If the carrying value of goodwill in any of our goodwill reporting units or other intangible assets is determined to exceed their respective fair values, we may be required to record significant impairment charges. In addition, our decision to dispose of certain of our operations has in the past and may in the future require us to recognize an impairment to the carrying value of goodwill and other intangible assets attendant to those operations. As of June 30, 2023, the Specialty Technology Solutions and Modern Communications & Cloud reporting units' goodwill balances are \$16.4 million and \$200.3 million, respectively. The fair value of the reporting units exceeded its carrying value by 2% and 13%, respectively, as of the annual goodwill impairment testing date. Any declines resulting in a goodwill impairment or long-lived asset impairment may result in material non-cash charges to our earnings. Impairment charges would also reduce our consolidated shareholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

International operations - Our international operations expose us to risks that are different from, and possibly greater than, the risks we are exposed to domestically.

We currently have significant facilities outside the United States. For fiscal year ending June 30, 2023, approximately 9.4% of our revenue is derived from our international operations outside of the United States and Canada. These operations are subject to a variety of risks that are different from the risks that we face domestically or are similar risks but with potentially greater exposure. These risks include:

- Fluctuations of foreign currency and exchange rates, which can impact sales, costs of the goods we sell and the reporting of our results and assets on our financial statements;
- Changes in international trade laws, trade agreements, or trading relationships affecting our import and export activities, including export license requirements, restrictions on the export of certain technology and tariff changes, or the imposition of new or increased trade sanctions;
- Difficulties in collecting accounts receivable and longer collection periods;
- Changes in, or expiration of, various foreign incentives that provide economic benefits to us;
- Labor laws or practices that impact our ability and costs to hire, retain and discharge employees;
- Difficulties in staffing and managing operations in foreign countries;
- Changes in the interpretation and enforcement of laws (in particular related to items such as duty and taxation), and laws related to data privacy such as GDPR and other similar privacy laws that impact our IT systems and processes;
- Global economic and financial market instability;
- Potential political and economic instability and changes in governments;
- Compliance with foreign and domestic import and export regulations and anti-corruption laws, including the Iran Threat Reduction and Syria Human Rights Act of 2012, U.S. Foreign Corrupt Practices Act, UK Bribery Act, and similar laws of other jurisdictions, governing our business activities outside the United States, the violation of which could result in severe penalties, including monetary fines, criminal proceedings and suspension of export or import privileges; and
- Terrorist or military actions that result in destruction or seizure of our assets or suspension or disruption of our operations or those of our customers, suppliers or service providers.

We have substantial operations in Brazil and face risks related to these countries' complex tax, labor, trade compliance and consumer protection laws and regulations. Additionally, developing markets such as Brazil have greater political volatility and vulnerability to infrastructure and labor disruptions, are more likely to experience market and interest rate fluctuations and may have higher inflation. In addition, doing business in foreign countries poses additional challenges, such as finding and retaining qualified employees, particularly management-level employees, navigating underdeveloped infrastructure and identifying and retaining qualified suppliers, resellers, agents and service providers, among other risks. Furthermore, in developing markets it may be common for others to engage in business practices prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act, UK Bribery Act, or similar local anti-bribery laws. Our commitment to legal compliance could put us at a competitive disadvantage, and any lapses in our compliance could subject us to civil and criminal penalties that could materially and adversely affect our financial condition and results of operations.

In addition, competition in developing markets is increasing. If we cannot successfully increase our business, our product sales, financial condition and results of operations could be adversely affected.

Quarterly fluctuations - Our net sales and operating results are dependent on a number of factors. Our net sales will fluctuate from quarter to quarter, and these fluctuations may cause volatility in our stock price.

Our net sales and operating results may fluctuate quarterly and, as a result our performance in one period may vary significantly from our performance in the preceding quarter, and may differ significantly from our forecast of performance from quarter to quarter. The impact of these variances may cause volatility in our stock price. Additionally, any past financial performance should not be considered an indicator of future performance, and investors should not use historical trends to anticipate results or trends in the future as our operating results may fluctuate significantly quarter to quarter. The results of any quarterly period are not indicative of results to be expected for a full fiscal year.

Centralized functions - We have centralized a number of functions to provide efficient support to our business. As a result, a loss or reduction of use of one of our locations would have an adverse effect on our business operations and financial results.

In order to be as efficient as possible, we centralize a number of critical functions. For instance, we currently distribute products to the majority of North America from a single warehouse. Similarly, for the primary business operations, we utilize a single information system based in the United States for the majority of our North American operations, while our Brazilian and UK operations have separate systems. While we have backup systems and business continuity plans, any significant or lengthy interruption of our ability to provide these centralized functions as a result of natural disasters, prolonged inclement weather, security breaches or otherwise would significantly impair our ability to continue normal business operations. In addition, the centralization of these functions increases our exposure to local risks, such as the availability of qualified employees and the lessening of competition for critical services, such as freight and communications.

Risk Factors Related to our Industry

Competition - We experience intense competition in all of our markets. This competition could result in reduced margins and loss of our market share.

Our markets are fiercely competitive. We compete on the basis of price, product and service availability, speed and accuracy of delivery, effectiveness of sales and marketing programs, credit availability and terms, ability to tailor solutions to the needs of our customers, quality and breadth of product line and services, and availability of technical and product information. Our competitors include local, regional, national and international distributors as well as hardware and service suppliers that sell directly to resellers and to end-customers. In addition, we compete with resellers and master agents that sell to franchisees, third-party dealers and end-customers. Certain of our current and potential competitors have greater financial, technical, marketing and other resources than we have and may be able to respond more quickly to new or emerging technologies and changes in customer requirements. Certain smaller, regional competitors, that are specialty two-tier or mixed model master resellers, may be able to respond more quickly to new or emerging technologies and changes in customer requirements in their regions. Competition has increased for our sales units as broad line and other value-added distributors have entered into the specialty technology markets. Such competition could result in price reductions, reduced margins and loss of our market share.

As a result of intense price competition in our industry, our gross margins and our operating profit margins historically have been narrow, and we expect them to continue to be narrow in the future. To remain competitive, we may be forced to offer more credit or extended payment terms to our customers. This could result in an increase in our need for capital, increase our financing costs, increase our bad debt expenses and have an adverse impact on our results of operations. We may lose market share, reduce our prices in response to actions of our competitors, or withdraw from geographical markets where we do not believe we can earn appropriate margins. We expect continued intense competition as current competitors expand their operations and new competitors enter the market. Our inability to compete successfully against current and future competitors could cause our revenue and earnings to decline.

Disruptive technology - We may not be able to respond and adapt to rapid technological changes, evolving industry standards or changing customer needs or requirements, and thus may become less competitive.

The market for some of our products and services is subject to rapid technological change, evolving industry standards and changes in customer demand, which can contribute to the decline in value or obsolescence of inventory. Although some of our suppliers provide us with certain protections from the loss in value of inventory (such as price protection and certain return rights), we cannot be sure that such protections will fully compensate for any loss in value, or that the suppliers will choose to, or be able to, honor such agreements.

Our ability and our supplier's ability to anticipate and react quickly to new technology trends and customer requirements is crucial to our overall success, financial condition and results of operations. If our suppliers fail to evolve their product and service offerings, or if we fail to evolve our product and service offerings or engage with desirable suppliers in time to respond to, and remain ahead of, new technological developments, it would adversely affect our ability to retain or increase market share and revenue. New technologies may emerge that quickly surpass the capabilities of the products we currently hold in inventory or have access to sell through our existing supplier network, and our customers may no longer view our product offerings as desirable or necessary, which could result in a reduction in our market share and ability to obtain sufficient profit margins. Some of our competitors and our suppliers' competitors may be better at adapting to disruptive technology or entering

new markets. Our future success depends, in part, on our ability to adapt and manage our product and service offerings to meet customer needs at prices that our customers are willing to pay.

General Risk Factors

Cybersecurity risk - If we are the subject of a ransomware or other cyberattack, we could lose valuable financial and operational data, we could be prevented from processing customer orders, ordering and tracking inventory, and efficiently operating our business, and we could lose revenue and profits and incur significant costs. In addition, we could be subject to legal claims in the event of the loss, disclosure or misappropriation of, or access to, our customer's or business partners' or our own information.

We make extensive use of online services and integrated information systems, including through third-party service providers. The secure maintenance and transmission of customer information is a critical element of our operations. Our information technology and other systems that maintain and transmit customer or employee information or those of service providers or business partners may be compromised by a malicious third-party penetration of our network security, or that of a third-party service provider or business partner, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third-party service provider or business partner. With constant changes in the security landscape, experienced computer programmers and hackers may be able to penetrate our network security, or that of our third-party service providers, and misappropriate or compromise our confidential information, create system disruptions, or cause shutdowns. As a result, our customers' information may be lost, disclosed, accessed or taken without our customers' consent.

We are subject to laws and regulations relating to customer privacy and the protection of personal information. Any such loss, disclosure or misappropriation of, or access to, customers' or business partners' information or our information or other breach of such information security can result in legal claims or legal proceedings, including regulatory investigations and actions, and may have a serious impact on our reputation and may adversely affect our businesses, operating results and financial condition.

In May 2023, we learned that we had been the subject of a ransomware attack. The attacker encrypted files that, in turn, made certain of our systems inaccessible until they were restored. This attack interrupted our ability to accept and process orders for approximately nine business days and resulted in the disclosure on the "dark web" of various information from our systems. Although substantially all of the restoration is complete, there can be no assurance that we will not be a victim of a ransomware or other cyberattack again in the future.

Increased government regulation - We may be subject to additional costs and subject to fines and penalties because certain governmental entities are end-customers of products that we sell.

Certain of our customers sell our products to government entities, which requires us to comply with additional laws, regulations and contractual requirements relating to how we conduct business. In complying with such laws, regulations and other requirements, we may incur additional costs. In addition, non-compliance with such laws, regulations and other requirements also may expose us to fines and penalties, including contractual damages or the loss of certain contracts or business. We also may be subject to increased scrutiny and investigation into our business practices, which may increase operating costs and increase legal liability, as well as expose us to additional reputational risk.

Volatility of Stock Price - The trading price of our common stock fluctuates.

The stock market as a whole and the trading prices of companies with smaller capitalization have been volatile. This volatility could significantly reduce the price of our common stock at any time, without regard to our own operating performance. This volatility may affect the price at which you could sell your common stock. Our stock price is likely to continue to be volatile in response to market and other factors; variations in our quarterly operating results from our expectations or those of securities analysts or investors; downward revisions in securities analysts' estimates; and announcement by us or our competitors of significant acquisitions, transactions, partnerships, joint ventures or capital commitments.

A material decline in the price of our common stock may result in the assertion of certain claims against us, and/or the commencement of inquiries and/or investigations against us. A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital, if needed, and the inability for you to obtain a favorable price at which you could sell your shares.

Foreign currency - Our international operations expose us to fluctuations in foreign currency exchange rates that could adversely affect our results of operations.

We transact sales, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar. Volatility in foreign exchange rates increase our risk of loss related to products and services purchased in a currency other than the currency in which those products and services are sold. We maintain policies to reduce our net exposure to foreign currency exchange rate fluctuations through the use of derivative financial instruments, however there can be no assurance that fluctuations in foreign currency exchange rates will not materially affect our financial results. Because our consolidated financial statements are presented in U.S. dollars, we must translate our financial statements into U.S. dollars at exchange rates in effect during each reporting period. Therefore, increases or decreases in the exchanges rates between the U.S. dollar and other currencies we transact in may positively or negatively affect our results of operations. In addition, unexpected and dramatic changes in foreign currency exchange rates may negatively affect our earnings from those markets.

Economic weakness - Economic weakness, including recession and inflation, and geopolitical uncertainty could adversely affect our results and prospects.

Our financial results, operations and prospects depend significantly on worldwide economic and geopolitical conditions, the demand for our products and services, and the financial condition of our customers and suppliers. Economic weakness and geopolitical uncertainty have in the past resulted, and may result in the future, in reduced demand for products resulting in decreased sales, margins and earnings. Economic weakness and geopolitical uncertainty may also lead us to impair assets, including goodwill, intangible assets and other long-lived assets, take restructuring actions or adjust our operating strategy and reduce expenses in response to decreased sales or margins. We may not be able to adequately adjust our cost structure in a timely fashion, which may adversely impact our profitability. Uncertainty about economic conditions may increase foreign currency volatility in markets in which we transact business, which may negatively impact our results. Economic weakness and geopolitical uncertainty also make it more difficult for us to manage inventory levels and/or collect customer receivables, which may result in provisions to create reserves, write-offs, reduced access to liquidity and higher financing costs.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

Our fixed assets include office space and warehouses. Our principal locations and/or properties as of June 30, 2023, were as follows:

Location	Approximate Square Footage	Type of Interest	Description of Use
United States			
Greenville, SC	174,000	Owned	Headquarters - Principal Executive and Sales Offices
Greenville, SC	7,600	Leased	Sales and Administration Offices
Southaven, MS	741,000	Leased	Warehouse
Sacramento, CA	53,000	Leased	Sales and Administration Offices and Warehouse
Louisville, KY	22,000	Leased	Warehouse
Brazil			
São José dos Pinhais, Paraná, Brazil	24,000	Leased	Sales Office and Warehouse
Serra, Espírito Santo, Brazil	31,000	Leased	Sales Office and Warehouse
Itajai, Santa Catarina, Brazil	164,000	Leased	Sales Office and Warehouse

Of the 174,000 owned square footage in Greenville, South Carolina approximately 40,000 square feet is subleased to an unrelated third party. Our primary North American distribution operations are located in Southaven, Mississippi. We utilize the

logistical services of various third party warehouses in the United States and Brazil. We also lease various additional sales offices and warehouse spaces, each approximately 20,000 square feet or less throughout the United States and international locations.

Management believes our office and warehouse facilities are adequate to support our operations at their current levels and for the foreseeable future.

ITEM 3. 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 and results of operations.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "SCSC." As of August 20, 2023, there were approximately 735 holders of record of our common stock.

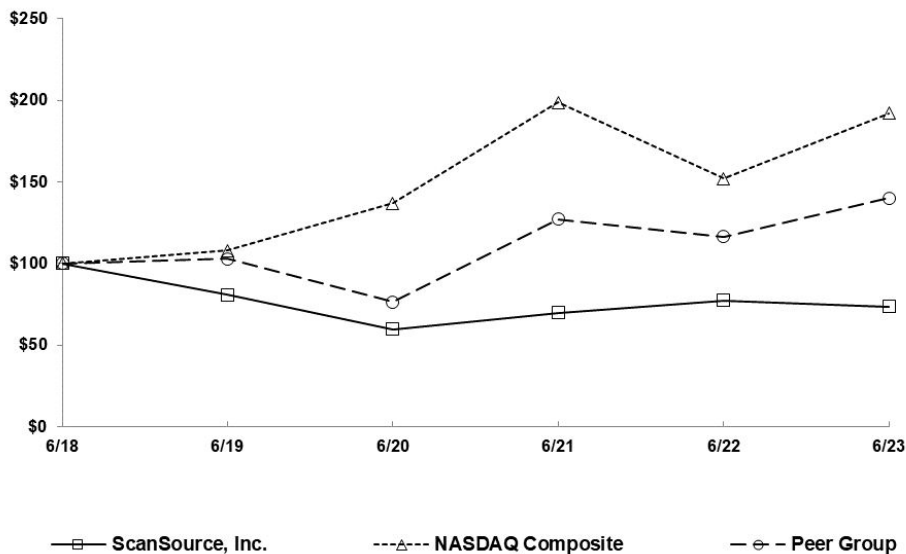
Stock Performance Chart

The following stock performance graph compares cumulative total shareholder return on our common stock over a five-year period with the Nasdaq Market Index and with the Standard Industrial Classification ("SIC") Code Index (SIC Code 5045 – Wholesale Computers and Peripheral Equipment and Software) for the same period. Total shareholder return represents stock price changes and assumes the reinvestment of dividends. The graph assumes the investment of \$100 on June 30, 2018.

	2018	2019	2020	2021	2022	2023
ScanSource, Inc.	\$ 100	\$ 81	\$ 60	\$ 70	\$ 77	\$ 73
NASDAQ Composite	\$ 100	\$ 108	\$ 137	\$ 199	\$ 152	\$ 192
SIC Code 5045 – Computers & Peripheral Equipment	\$ 100	\$ 103	\$ 76	\$ 127	\$ 116	\$ 140

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among ScanSource, Inc., the NASDAQ Composite Index, and a Peer Group



*\$100 invested on 6/30/18 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

Share Repurchases

In August 2021, our Board of Directors authorized a \$100 million share repurchase program. The authorization does not have any time limit. In fiscal year 2023, we repurchased 524,108 shares totaling \$15.8 million under the share repurchase program.

The following table shows the share-repurchase activity for the quarter ended June 30, 2023 (in thousands except share and per share data):

Period	Total number of shares purchased ⁽¹⁾	Average price paid per share	Total number of shares purchased as part of the publicly announced plan or program	Approximate dollar value of shares that may yet be purchased under the plan or program
April 1, 2023 through April 30, 2023	107,639	\$28.79	107,639	\$67,802,877
May 1, 2023 through May 31, 2023	60,000	\$27.43	60,000	\$66,157,077
June 1, 2023 through June 30, 2023	992	\$30.14	—	\$66,157,077
Total	168,631		167,639	

⁽¹⁾ Includes 992 shares withheld from employees' stock-based awards to satisfy required tax withholding obligations for the month of June 2023. There were no shares withheld during the months of April and May 2023.

Dividends

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. [Reserved].

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

ScanSource is a leading hybrid distributor connecting devices to the cloud and accelerating growth for customers across hardware, SaaS, connectivity and cloud. We provide technology solutions and services from more than 500 leading suppliers of mobility and barcode, POS and payments, physical security and networking, communications and collaboration, connectivity and cloud services to our approximately 30,000 customers located in the United States, Canada, Brazil, the UK and Europe.

We operate our business under a management structure that enhances our technology focus and hybrid distribution growth strategy. Our segments operate in the United States, Canada, Brazil and the UK and consist of the following:

- Specialty Technology Solutions
- Modern Communications & Cloud

We sell hardware, SaaS, connectivity and cloud solutions and services through channel partners to end users. We operate distribution facilities that support our United States and Canada business in Mississippi, California and Kentucky. Brazil distribution facilities are located in the Brazilian states of Paraná, Espírito Santo and Santa Catarina. We provide some of our digital products, which include SaaS and subscriptions, through our digital tools and platforms.

Our key suppliers include 8x8, AT&T, Aruba/HPE, Avaya, Axis, Cisco, Comcast Business, Datalogic, Dell, Elo, Epson, Equinix, Extreme, F5, Five9, Fortinet, Genesys, Granite, GTT, Hanwha, Honeywell, Ingenico, Jabra, Logitech, Lumen, Microsoft, MetTel, Mitel, NCR, NICE CXone, Poly HP, RingCentral, Spectrum, Toshiba Global Commerce Solutions, Trend Micro, Ubiquiti, Verifone, Verizon, VMWare, Windstream, Zebra Technologies and Zoom.

Recent Developments

Cybersecurity Incident

On May 14, 2023, we discovered that we were subject to a cybersecurity attack perpetrated by unauthorized third parties that affected our IT systems. Upon detection, we took immediate steps to address the incident, engaged third-party experts, and notified law enforcement. We have cyber insurance and are working with our insurance carriers on claims to recover costs incurred. On May 26, 2023, we substantially recovered our operations and completed the restoration of our pertinent IT systems. We have taken actions to strengthen our existing IT security infrastructure and will continue to implement additional measures to prevent unauthorized access to, or manipulation of, our systems and data.

Impact of the Macroeconomic Environment, Including Inflation and Supply Chain Constraints

The macroeconomic environment, including the economic impacts of supply chain constraints, rising interest rates and inflation continues to create significant uncertainty and may adversely affect our consolidated results of operations. We are actively monitoring changes to the global macroeconomic environment and assessing the potential impacts these challenges may have on our financial condition, results of operations and liquidity. We are also mindful of the potential impact these conditions could have on our customers and suppliers.

In spite of these challenges and uncertainties, we believe we have managed the supply chain requirements of our customers and suppliers effectively to date. While we are unable to predict the ultimate impact these factors will have on our business, certain technologies have benefited from the widespread adoption to a work-from-anywhere business model, as well as the accelerated shift to digitize and automate processes.

Our Strategy

Our strategy is to drive sustainable, profitable growth by orchestrating hybrid technology solutions through a growing ecosystem of partners leveraging our people, processes and tools. Our goal is to provide exceptional experiences for our partners, suppliers and employees, and we strive for operational excellence. Our hybrid distribution strategy relies on a channel sales model to offer hardware, SaaS, connectivity and cloud services from leading technology suppliers to customers that solve end users’ challenges. ScanSource enables customers to deliver solutions for their end users to address changing buying and

consumption patterns. Our solutions may include a combination of offerings from multiple suppliers or give our customers access to additional services. As a trusted adviser to our customers, we provide customized solutions through our strong understanding of end user needs.

Results of Operations from Continuing Operations

The following table sets forth for the periods indicated certain income and expense items as a percentage of net sales. Totals may not sum due to rounding.

	Fiscal Year Ended June 30,		
	2023	2022	2021
Statement of income data:			
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	88.1	87.9	88.9
Gross profit	11.9	12.1	11.1
Selling, general and administrative expenses	7.5	7.8	7.9
Depreciation expense	0.3	0.3	0.4
Intangible amortization expense	0.4	0.5	0.6
Restructuring and other charges	0.0	0.0	0.3
Operating income	3.6	3.5	2.0
Interest expense	0.5	0.2	0.2
Interest income	(0.2)	(0.1)	(0.1)
Other (income) expense, net	0.0	0.0	0.0
Income from continuing operations before income taxes	3.2	3.4	1.8
Provision for income taxes	0.9	0.8	0.4
Net income from continuing operations	2.3	2.5	1.4
Net income (loss) from discontinued operations	0.0	0.0	(1.1)
Net income	2.4 %	2.5 %	0.3 %

Comparison of Fiscal Years Ended June 30, 2023 and 2022

Below is a discussion of fiscal years ended June 30, 2023 and 2022. Please refer to our form 10-K for the fiscal year ended June 30, 2022 for a discussion of fiscal year ended June 30, 2021.

Net Sales

We have two reportable segments, which are based on technology. The following table summarizes our net sales results by business segment and by geographic location for the comparable fiscal years ended June 30, 2023 and 2022.

	2023	2022	\$ Change	% Change	% Change Constant Currency, Excluding Divestitures and Acquisitions
	(in thousands)				
Sales by Segment:					
Specialty Technology Solutions	\$ 2,331,030	\$ 2,082,321	\$ 248,709	11.9 %	11.9 %
Modern Communications & Cloud	1,456,691	1,447,614	9,077	0.6 %	0.4 %
Total net sales	<u>\$ 3,787,721</u>	<u>\$ 3,529,935</u>	<u>\$ 257,786</u>	7.3 %	7.2 %
Sales by Geography Category:					
United States	\$ 3,432,074	\$ 3,173,694	\$ 258,380	8.1 %	8.1 %
International	355,647	356,241	(594)	(0.2)%	(1.4)%
Total net sales	<u>\$ 3,787,721</u>	<u>\$ 3,529,935</u>	<u>\$ 257,786</u>	7.3 %	7.2 %

(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*.

Our sales during our fourth quarter were adversely impacted by the cybersecurity attack that we discovered on May 14, 2023. Until the appropriate restoration was completed, we generally were not able to use our core systems to accept orders or ship products. Because some of the lost sales may simply have been deferred, we do not yet have a complete estimate of the ultimate impact. We have business interruption insurance that should cover a portion of the lost profits attributable to any lost sales.

Specialty Technology Solutions

The Specialty Technology Solutions segment consists of sales to customers in North America and Brazil. During fiscal year 2023, net sales for this segment increased \$248.7 million, or 11.9%, compared to fiscal year 2022. Excluding the foreign exchange positive impact of \$0.9 million, adjusted net sales for fiscal year 2023 increased \$247.8 million, or 11.9%, compared to the prior year. The increase in net sales and in adjusted net sales is primarily due to strong growth in key technologies in North America.

Modern Communications & Cloud

The Modern Communications & Cloud segment consists of sales to customers in North America, Brazil, Europe and the UK. During fiscal year 2023, net sales for this segment increased \$9.1 million, or 0.6%, compared to fiscal year 2022. Excluding the foreign exchange positive impact of \$3.5 million, adjusted net sales increased \$5.6 million, or 0.4%, compared to the prior year. The increase in net sales and adjusted net sales is primarily due to increased networking sales, partially offset by lower sales volumes in our communications hardware.

Intelisys connectivity and cloud net sales for fiscal year 2023 increased 7.0% year-over-year. For our Intelisys business, net sales reflect the net commissions received from suppliers after paying sales partner commissions. For fiscal year 2023, Intelisys net billings, which are amounts billed by suppliers to end users and represents annual recurring revenue, totaled approximately \$2.47 billion. The fiscal year 2023 Intelisys net billings resulted in Intelisys net sales of approximately \$79.5 million.

Gross Profit

The following table summarizes our gross profit for the fiscal years ended June 30, 2023 and 2022:

	2023	2022	\$ Change	% Change	% of Sales June 30,	
					2023	2022
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 224,239	\$ 205,757	\$ 18,482	9.0 %	9.6 %	9.9 %
Modern Communications & Cloud	225,000	220,767	4,233	1.9 %	15.4 %	15.3 %
Total gross profit	\$ 449,239	\$ 426,524	\$ 22,715	5.3 %	11.9 %	12.1 %

Our gross profit is primarily affected by sales volume and gross margin mix. Gross margin mix is impacted by multiple factors, which include sales mix (proportion of sales of higher margin products or services relative to total sales), vendor program recognition (consisting of volume rebates, inventory price changes and purchase discounts) and freight costs. Increases in vendor program recognition decrease cost of goods sold, thereby increasing gross profit. Net sales derived from our Intelisys business contribute 100% to our gross profit dollars and margin as they have no associated cost of goods sold.

Specialty Technology Solutions

For the Specialty Technology Solutions segment, gross profit dollars increased \$18.5 million. Higher sales volume, after considering the associated cost of goods sold, contributed \$24.6 million to the growth of gross profit dollars. Gross margin mix negatively impacted gross profit by \$6.1 million, largely from a less favorable sales mix. For the year ended June 30, 2023, the gross profit margin decreased 26 basis points over the prior-year to 9.6%.

Modern Communications & Cloud

For the Modern Communications & Cloud segment, gross profit dollars increased \$4.2 million. Higher sales volume, after considering the associated cost of goods sold, contributed \$1.4 million to the growth of gross profit dollars. Gross margin mix positively impacted gross profit by \$2.8 million, largely from a more favorable sales mix, partially offset by lower vendor program recognition. For the year ended June 30, 2023, the gross profit margin increased 20 basis points over the prior year to 15.4%.

Operating expenses

The following table summarizes our operating expenses for the periods ended June 30, 2023 and 2022:

	2023	2022	\$ Change	% Change	% of Sales June 30,	
					2023	2022
	<i>(in thousands)</i>					
Selling, general and administrative expenses	\$ 285,695	\$ 275,442	\$ 10,253	3.7 %	7.5 %	7.8 %
Depreciation expense	10,912	11,062	(150)	(1.4)%	0.3 %	0.3 %
Intangible amortization expense	16,746	17,853	(1,107)	(6.2)%	0.4 %	0.5 %
Operating expenses	\$ 313,353	\$ 304,357	\$ 8,996	3.0 %	8.3 %	8.6 %

Selling, general and administrative expenses ("SG&A") increased \$10.3 million for the fiscal year ended June 30, 2023 compared to the prior year. The increase in SG&A expenses is primarily attributable to higher employee costs, partially offset by net tax recoveries of \$3.0 million related to prior periods.

SG&A includes approximately \$1.5 million in costs attendant to the cybersecurity attack. We have cyber-related insurance that should cover a portion (or all) of these expenses. While we continuously try to improve our cybersecurity, the nature of the particular attack did not suggest a broad problem with our cybersecurity efforts, and we do not expect a significant increase in ongoing cybersecurity-related expenses.

Intangible amortization expense decreased \$1.1 million for the fiscal year ended June 30, 2023 compared to the prior year. Amortization expense decreased during fiscal year 2023 due to certain trade name and non-compete intangibles becoming fully amortized in the current year.

Operating Income

The following table summarizes our operating income for the periods ended June 30, 2023 and 2022:

	2023	2022	\$ Change	% Change	% of Sales June 30,	
					2023	2022
	<i>(in thousands)</i>					
Specialty Technology Solutions	\$ 75,688	\$ 66,686	\$ 9,002	13.5 %	3.2 %	3.2 %
Modern Communications & Cloud	61,658	55,511	6,147	11.1 %	4.2 %	3.8 %
Corporate	(1,460)	(30)	(1,430)	*nm	— %	— %
Total operating income	<u>\$ 135,886</u>	<u>\$ 122,167</u>	<u>\$ 13,719</u>	11.2 %	3.6 %	3.5 %

*nm - not meaningful

Specialty Technology Solutions

For the Specialty Technology Solutions segment, operating income increased \$9.0 million, and operating margin increased 5 basis points to 3.2% for the fiscal year ended June 30, 2023, compared to the prior year. The increase in operating income and operating margin is primarily due to higher gross profits.

Modern Communications & Cloud

For the Modern Communications & Cloud segment, operating income increased \$6.1 million and the operating margin increased 40 basis points to 4.2% for the fiscal year ended June 30, 2023, compared to the prior year. The increase in operating income and margin is largely due to higher gross profits.

Corporate

The fiscal year ended June 30, 2023 Corporate operating loss of \$1.5 million represents cyberattack restoration charges. Corporate incurred less than \$0.1 million in divestiture costs during the fiscal year ended June 30, 2022.

Total Other (Income) Expense

The following table summarizes our total other (income) expense for the fiscal years ended June 30, 2023 and 2022:

	2023	2022	\$ Change	% Change	% of Sales June 30,	
					2023	2022
	<i>(in thousands)</i>					
Interest expense	\$ 19,786	\$ 6,523	\$ 13,263	203.3 %	0.5 %	0.2 %
Interest income	(7,414)	(4,333)	(3,081)	71.1 %	(0.2)%	(0.1)%
Net foreign exchange losses	2,168	2,078	90	4.3 %	0.1 %	0.1 %
Other, net	(504)	(724)	220	(30.4)%	— %	— %
Total other (income) expense	<u>\$ 14,036</u>	<u>\$ 3,544</u>	<u>\$ 10,492</u>	296.0 %	0.4 %	0.1 %

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 increased in fiscal 2023 as compared to 2022 primarily from higher interest rates and higher average borrowings on our multi-currency revolving credit facility.

Interest income for the year ended June 30, 2023 and 2022 was generated on interest-bearing investments in Brazil and customer receivables.

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

Provision for Income Taxes

Income tax expense for continuing operations was \$33.8 million and \$29.9 million for the fiscal years ended June 30, 2023 and 2022, respectively, reflecting effective tax rates of 27.7% and 25.2%, respectively. The increase in the effective tax rate for fiscal year 2023 compared to fiscal year 2022 is primarily the result of an increase in global intangible low taxed income. Subsequent to the 2023 fiscal year end, the IRS issued Notice 2023-55, which provides taxpayers with Brazilian subsidiaries temporary relief from the final foreign tax credit regulations. As a result, we anticipate recognizing a \$1.5 million tax benefit for the 2023 fiscal year as a discrete item in the first quarter of the 2024 fiscal year.

We expect the fiscal year 2024 effective tax rate from continuing operations to be approximately 26.6% to 27.6%. See Note 13 - *Income Taxes* in the Notes to Consolidated Financial Statements for further discussion including an effective tax rate reconciliation.

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; adjusted earnings before interest expense, income taxes, depreciation, and amortization ("adjusted EBITDA"); adjusted return on invested capital ("adjusted 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.

Adjusted Return on Invested Capital

Adjusted 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 adjusted ROIC provides useful information to investors and is an additional relevant comparison of our performance during the year.

Adjusted EBITDA starts with net income and adds back interest expense, income tax expense, depreciation expense, amortization of intangible assets, changes in fair value of contingent consideration, non-cash shared-based compensation expense and other non-GAAP adjustments. Since adjusted EBITDA excludes some non-cash costs of investing in our business and people, we believe that adjusted EBITDA shows the profitability from our business operations more clearly. The presentation for adjusted EBITDA for all periods presented has been recast to reflect this change to enhance comparability between periods.

We calculate adjusted ROIC as 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 adjusted ROIC for the fiscal years ended June 30, 2023 and 2022.

	2023	2022
Adjusted return on invested capital ratio	14.6 %	17.0 %

The components of our adjusted ROIC calculation and reconciliation to our financial statements are shown, as follows:

	Fiscal Year Ended June 30,	
	2023	2022
	<i>(in thousands)</i>	
Reconciliation of net income to adjusted EBITDA:		
Net income from continuing operations (GAAP)	\$ 88,092	\$ 88,698
Plus: Interest expense	19,786	6,523
Plus: Income taxes	33,758	29,925
Plus: Depreciation and amortization	28,614	29,884
EBITDA (non-GAAP)	170,250	155,030
Plus: Share-based compensation	11,219	11,663
Plus: Tax recovery	(2,986)	—
Plus: Cyberattack restoration costs	1,460	—
Plus: Divestiture costs ^(a)	—	30
Adjusted EBITDA (numerator for adjusted ROIC) (non-GAAP)	179,943	166,723

	Fiscal Year Ended June 30,	
	2023	2022
	<i>(in thousands)</i>	
Invested capital calculations:		
Equity – beginning of the year	\$ 806,528	\$ 731,191
Equity – end of the year	905,298	806,528
Plus: Share-based compensation, net	8,326	8,709
Plus: Divestiture costs ^(a)	—	30
Plus: Cyberattack restoration costs, net	1,092	—
Plus: Tax recovery, net	(3,985)	—
Plus: Impact of discontinued operations, net	(1,717)	(100)
Average equity	<u>857,771</u>	<u>773,179</u>
Average funded debt ^(b)	<u>372,235</u>	<u>209,114</u>
Invested capital (denominator for adjusted ROIC) (non-GAAP)	<u>\$ 1,230,006</u>	<u>\$ 982,293</u>

^(a) Includes divestiture costs for the year ended June 30, 2022. Divestiture costs are generally non-deductible for tax purposes.

^(b) 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. We also exclude the impact of acquisitions prior to the first full year of operations from the acquisition date 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 acquisitions. Below we show organic growth by providing a non-GAAP reconciliation of net sales in constant currency, excluding acquisitions:

Net Sales by Segment:

	Fiscal Year Ended June 30,		\$ Change	% Change
	2023	2022		
	<i>(in thousands)</i>			
Specialty Technology Solutions:				
Net sales, reported	\$ 2,331,030	\$ 2,082,321	\$ 248,709	11.9 %
Foreign exchange impact ^(a)	(923)	—		
Non-GAAP net sales, constant currency	<u>\$ 2,330,107</u>	<u>\$ 2,082,321</u>	\$ 247,786	11.9 %
Modern Communications & Cloud:				
Net sales, reported	\$ 1,456,691	\$ 1,447,614	\$ 9,077	0.6 %
Foreign exchange impact ^(a)	(3,492)	—		
Non-GAAP net sales, constant currency	<u>\$ 1,453,199</u>	<u>\$ 1,447,614</u>	\$ 5,585	0.4 %
Consolidated:				
Net sales, reported	\$ 3,787,721	\$ 3,529,935	\$ 257,786	7.3 %
Foreign exchange impact ^(a)	(4,415)	—		
Non-GAAP net sales, constant currency	<u>\$ 3,783,306</u>	<u>\$ 3,529,935</u>	\$ 253,371	7.2 %

^(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 year ended June 30, 2023 into U.S. dollars using the average foreign exchange rates for the year ended June 30, 2022.

Net Sales by Geography:

	Fiscal Year Ended June 30,		\$ Change	% Change
	2023	2022		
	<i>(in thousands)</i>			
United States and Canada:				
Net sales, as reported	\$ 3,432,074	\$ 3,173,694	\$ 258,380	8.1 %
International:				
Net sales, reported	\$ 355,647	\$ 356,241	\$ (594)	(0.2)%
Foreign exchange impact ^(a)	(4,415)	—		
Non-GAAP net sales, constant currency	\$ 351,232	\$ 356,241	\$ (5,009)	(1.4)%
Consolidated:				
Net sales, reported	\$ 3,787,721	\$ 3,529,935	\$ 257,786	7.3 %
Foreign exchange impact ^(a)	(4,415)	—		
Non-GAAP net sales, constant currency	\$ 3,783,306	\$ 3,529,935	\$ 253,371	7.2 %

(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 year ended June 30, 2023 into U.S. dollars using the average foreign exchange rates for the year ended June 30, 2022.

Operating Income by Segment:

	Fiscal year ended June 30,				% of Net Sales June 30,	
	2023	2022	\$ Change	% Change	2023	2022
Specialty Technology Solutions:	<i>(in thousands)</i>					
GAAP operating income	\$ 75,688	\$ 66,686	\$ 9,002	13.5 %	3.2 %	3.2 %
Adjustments:						
Amortization of intangible assets	5,136	6,005	(869)			
Non-GAAP operating income	<u>\$ 80,824</u>	<u>\$ 72,691</u>	<u>\$ 8,133</u>	11.2 %	3.5 %	3.5 %
Modern Communications & Cloud:						
GAAP operating income	\$ 61,658	\$ 55,511	\$ 6,147	11.1 %	4.2 %	3.8 %
Adjustments:						
Amortization of intangible assets	11,610	11,848	(238)			
Tax recovery	(2,986)	—	(2,986)			
Non-GAAP operating income	<u>\$ 70,282</u>	<u>\$ 67,359</u>	<u>\$ 2,923</u>	4.3 %	4.8 %	4.7 %
Corporate:						
GAAP operating loss	\$ (1,460)	\$ (30)	\$ (1,430)	nm*	nm*	nm*
Adjustments:						
Divestiture costs	—	30	(30)			
Cyberattack restoration costs	1,460	—	1,460			
Non-GAAP operating income	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	nm*	nm*	nm*
Consolidated:						
GAAP operating income	\$ 135,886	\$ 122,167	\$ 13,719	11.2 %	3.6 %	3.5 %
Adjustments:						
Amortization of intangible assets	16,746	17,853	(1,107)			
Cyberattack restoration costs	1,460	—	1,460			
Divestiture costs	—	30	(30)			
Tax recovery	(2,986)	—	(2,986)			
Non-GAAP operating income	<u>\$ 151,106</u>	<u>\$ 140,050</u>	<u>\$ 11,056</u>	7.9 %	4.0 %	4.0 %

Additional Non-GAAP Metrics

To evaluate current period performance on a more consistent basis with prior periods, we disclose non-GAAP SG&A expenses, non-GAAP operating income, 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:

Year ended June 30, 2023						
GAAP Measure	Intangible amortization expense	Tax recovery	Divestiture costs	Cyberattack restoration costs	Non-GAAP measure	
<i>(in thousands, except per share data)</i>						
SG&A expenses	\$ 285,695	\$ —	\$ 2,986	\$ —	\$ (1,460)	\$ 287,221
Operating income	135,886	16,746	(2,986)	—	1,460	151,106
Pre-tax income	121,850	16,746	(2,986)	—	1,460	137,070
Net income	88,092	12,489	(3,985)	—	1,092	97,688
Diluted EPS	\$ 3.47	\$ 0.49	\$ (0.16)	\$ —	\$ 0.04	\$ 3.85

Year ended June 30, 2022						
GAAP Measure	Intangible amortization expense	Tax recovery	Divestiture costs	Cyberattack restoration costs	Non-GAAP measure	
<i>(in thousands, except per share data)</i>						
SG&A expenses	\$ 275,442	\$ —	\$ —	\$ (30)	\$ —	\$ 275,412
Operating income	122,167	17,853	—	30	—	140,050
Pre-tax income	118,623	17,853	—	30	—	136,506
Net income	88,698	13,412	—	30	—	102,140
Diluted EPS	\$ 3.44	\$ 0.52	\$ —	\$ —	\$ —	\$ 3.97

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with US GAAP. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis management evaluates its estimates, including those related to the allowance for uncollectible accounts receivable, inventory reserves to reduce inventories to the lower of cost or net realizable value, supplier incentives and goodwill. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable under the circumstances, the results of which form a basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. For further discussion of our significant accounting policies, refer to Note 1 - *Business and Summary of Significant Accounting Policies*.

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 allowances for doubtful accounts receivable is described below.

We maintain an allowance for uncollectible 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 are recorded at inception and adjusted over the contractual life.

Inventory Reserves

Management determines the inventory reserves required to reduce inventories to the lower of cost or net realizable value based principally on the effects of technological changes, quantities of goods and length of time on hand and other factors. An estimate is made of the net realizable value, less cost to dispose, of products whose value is determined to be impaired. If these products are ultimately sold at less than estimated amounts, additional reserves may be required. The estimates used to calculate these reserves are applied consistently. The adjustments are recorded in the period in which the loss of utility of the inventory occurs, which establishes a new cost basis for the inventory. This new cost basis is maintained until such time that the reserved inventory is disposed of, returned to the supplier or sold. To the extent that specifically reserved inventory is sold, cost of goods sold is expensed for the new cost basis of the inventory sold.

Supplier Programs

We receive incentives from suppliers related to cooperative advertising allowances, volume rebates and other incentive programs. These incentives are generally under quarterly, semi-annual or annual agreements with the suppliers. Some of these incentives are negotiated on an ad hoc basis to support specific programs mutually developed between the Company and the supplier. Suppliers generally require that we use the suppliers' cooperative advertising allowances for advertising or other marketing programs. Incentives received from suppliers for specifically identified incremental cooperative advertising programs are recorded as adjustments to selling, general and administrative expenses. ASC 606—*Revenue from Contracts with Customers* addresses accounting for consideration payable to a customer, which the Company interprets and applies as the customer (i.e., the Company) receives advertising funds from a supplier. The portion of these supplier funds in excess of our costs are reflected as a reduction of inventory. Such funds are recognized as a reduction of the cost of goods sold when the related inventory is sold.

We record unrestricted volume rebates received as a reduction of inventory and reduces the cost of goods sold when the related inventory is sold. Amounts received or receivables from suppliers that are not yet earned are deferred in the Consolidated Balance Sheets. Supplier receivables are generally collected through reductions to accounts payable authorized by the supplier. In addition, we may receive early payment discounts from certain suppliers. We record early payment discounts received as a

reduction of inventory, thereby resulting in a reduction of cost of goods sold when the related inventory is sold. ASC 606 requires management to make certain estimates of the amounts of supplier consideration that will be received. Estimates are based on the terms of the incentive program and historical experiences. Actual recognition of the supplier consideration may vary from management estimates.

Goodwill

We account for recorded goodwill in accordance with ASC 350, *Goodwill and Other Intangible Assets*, which requires that goodwill be reviewed annually for impairment or more frequently if impairment indicators exist. Goodwill testing utilizes an impairment analysis, whereby we compare the carrying value of each identified reporting unit to its fair value. The carrying value of goodwill is reviewed at a reporting unit level at least annually for impairment, or more frequently if impairment indicators exist. Our goodwill reporting units align directly with our operating segments, Specialty Technology Solutions and Modern Communications & Cloud. The fair values of the reporting units are estimated using the net present value of discounted cash flows generated by each reporting unit. Considerable judgment is necessary in estimating future cash flows, discount rates and other factors affecting the estimated fair value of the reporting units, including the operating and macroeconomic factors. Historical financial information, internal plans and projections and industry information are used in making such estimates.

Under ASC 350, if fair value of goodwill fair value is determined to be less than carrying value, an impairment loss is recognized for the amount of the carrying value that exceeds the amount of the reporting units' fair value, not to exceed the total amount of goodwill allocated to the reporting unit. Additionally, we would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. We also assess the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired. In our most recent annual test, we estimated the fair value of our reporting units primarily based on the income approach utilizing the discounted cash flow method. As of June 30, 2023, the Specialty Technology and Modern Communications & Cloud reporting units' goodwill balances are \$16.4 million and \$200.3 million, respectively. The fair value of the reporting units exceeded its carrying value by 2% and 13%, respectively, as of the annual goodwill impairment testing date. We also utilized fair value estimates derived from the market approach utilizing the public company market multiple method to validate the results of the discounted cash flow method, which required us to make assumptions about the applicability of those multiples to our reporting units. The discounted cash flow method requires us to estimate future cash flows and discount those amounts to present value. The key assumptions utilized in determining fair value included:

- Industry WACC: We utilized a WACC relative to each reporting unit's respective geography and industry as the discount rate for estimated future cash flows. The WACC is intended to represent a rate of return that would be expected by a market place participant in each respective geography.
- Operating income: We utilized historical and expected revenue growth rates, gross margins and operating expense percentages, which varied based on the projections of each reporting unit being evaluated.
- Cash flows from working capital changes: We utilized a projected cash flow impact pertaining to expected changes in working capital as each of our goodwill reporting units grow.

While we believe our assumptions are appropriate, they are subject to uncertainty and by nature include judgments and estimates regarding future events, including projected growth rates, margin percentages and operating efficiencies. Key assumptions used in determining fair value include projected growth and operating margin, working capital requirements and discount rates. During fiscal years 2023 and 2022, we completed our annual impairment test as of April 30th and determined that our goodwill was not impaired.

See Note 7 - *Goodwill and Other Identifiable Intangible Assets* in the Notes to Consolidated Financial Statements for further discussion on our goodwill impairment testing and results.

Accounting Standards Recently Issued

See Note 1 in the Notes to Consolidated Financial Statements for the discussion on recent accounting pronouncements.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under the \$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 suppliers. In general, as our sales volumes increase, our net investment in

working capital typically 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.

Cash and cash equivalents totaled \$36.2 million and \$38.0 million at June 30, 2023 and 2022, respectively, of which \$31.0 million and \$35.0 million was held outside of the United States as of June 30, 2023 and 2022, respectively. Checks released but not yet cleared from these accounts in the amounts of \$8.0 million and \$18.0 million are classified as accounts payable as of June 30, 2023 and 2022, respectively.

We conduct business in many locations throughout the world where we generate and use cash. We provide for United States income taxes from the earnings of our Canadian and Brazilian subsidiaries. See Note 13 - *Income Taxes* in the Notes to the Consolidated Financial Statements for further discussion.

Our net investment in working capital increased \$160.7 million to \$870.3 million at June 30, 2023 from \$709.5 million at June 30, 2022, primarily from increases in inventory. 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. For the fiscal year ended June 30, 2023, our working capital investment increased to support our 7.3% year-over-year net sales growth, as well as impacts from supply chain constraints and the cybersecurity incident.

	Year ended	
	June 30, 2023	June 30, 2022
	<i>(in thousands)</i>	
Cash (used in) provided by:		
Operating activities of continuing operations	\$ (35,769)	\$ (124,354)
Investing activities of continuing operations	(8,262)	(3,724)
Financing activities of continuing operations	39,531	108,106

Net cash used in operating activities was \$35.8 million and \$124.4 million for the years ended June 30, 2023 and 2022, respectively. Cash used in operating activities for the year ended June 30, 2023 is primarily due to increases in inventory, which increased 23.2% compared to the beginning of the year, partially offset by earnings from operations. Cash used in operating activities for the year ended June 30, 2022 is primarily due to increases in accounts receivable and inventory, which increased 28.2% and 30.8%, respectively, compared to the beginning of the prior year period.

Operating cash flows are subject to variability period over period as a result of the timing of payments related to accounts receivable, accounts payable and other working capital items.

The number of days sales outstanding ("DSO") was 72 at June 30, 2023, compared to 68 at June 30, 2022. The increase in DSO for fiscal year 2023 is driven by a 3.3% increase in net receivables at period end and a 1.8% decrease in fourth quarter average daily sales compared to the prior fiscal year. Throughout the current fiscal year, DSO ranged from 69 to 72. Inventory turnover was 4.4 times during the fourth quarter of the current fiscal year, compared to 5.6 times in the fourth quarter of fiscal year 2022. Throughout fiscal year 2023, inventory turnover ranged from 4.1 to 5.1 times.

Cash used in investing activities was \$8.3 million and \$3.7 million for the years ended June 30, 2023 and 2022, respectively. Cash used in investing activities for fiscal year 2023 and 2022 represents capital expenditures, partially offset by proceeds from the sale of our discontinued operations.

Management expects capital expenditures for fiscal year 2024 to range from \$6.0 million to \$8.0 million, primarily for IT investments and facility improvements.

Cash provided by financing activities totaled \$39.5 million and \$108.1 million for the fiscal years ended June 30, 2023 and 2022, respectively, primarily from net borrowings on the revolving line of credit.

Share Repurchase Program

In August 2021, our Board of Directors authorized a \$100 million share repurchase program. The authorization does not have any time limit. In fiscal year 2023, we repurchased 524,108 shares totaling \$15.8 million.

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 (as amended, the “Amended Credit Agreement”). On September 28, 2022, we amended and restated our Amended Credit Agreement, which includes (i) a five-year, \$350 million multicurrency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. The amendment extended the revolving credit facility maturity date to September 28, 2027. In addition, pursuant to an “accordion feature,” we may increase our 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. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of our domestic assets and our domestic subsidiaries. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. We incurred debt issuance costs of \$1.4 million in connection with the amendment and restatement of 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.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at our option, (i) the adjusted term SOFR or adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our ratio of (A) total consolidated debt less up to \$30 million of unrestricted domestic cash (“Credit Facility Net Debt”) to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable (Credit Facility EBITDA”), for which financial statements have been delivered to the Lenders (the “leverage ratio”); or (ii) the alternate base rate plus an additional margin ranging from 0% to 0.75%, depending upon our leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon our leverage ratio, or such other rate as agreed upon with the applicable swingline lender. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10% over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00% to 1.75%, depending upon our leverage ratio plus, if applicable, certain mandatory costs.

During the fiscal year ended June 30, 2023, our borrowings under the credit facility were U.S. dollar loans. The spread in effect as of June 30, 2023 was 1.50%, plus a 0.10% credit spread adjustment for SOFR-based loans and 0.50% for alternate base rate loans. The commitment fee rate in effect as of June 30, 2023 was 0.25%. 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 as of 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 Amended Credit Agreement as of June 30, 2023.

The average daily balance on the revolving credit facility, excluding the term loan facility, was \$223.5 million and \$69.0 million during the fiscal years ended June 30, 2023 and 2022, respectively. There was \$171.0 million and \$214.2 million available for additional borrowings as of June 30, 2023 and 2022, respectively. There were no letters of credit issued under the multi-currency revolving credit facility as of June 30, 2023 and 2022.

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 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 June 30, 2023, based upon the calculation of our Credit Facility Net Debt relative to our Credit Facility EBITDA, there was \$171.0 million available for borrowing. While we were in compliance with the financial covenants contained in the Credit Facility as of June 30, 2023, 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.

Contractual Obligations

At June 30, 2023, we had \$179.0 million outstanding under our revolving credit facility. We also had \$147.2 million outstanding under our term loan facility, \$6.6 million of which matures in fiscal year 2024. Our revolving credit facility and our term loan facility have a maturity date September 28, 2027. The remaining principal debt payments on our industrial development revenue bond, which total \$3.7 million, have maturity dates in 2024 through 2032. See Footnote 8 - *Short Term Borrowings and Long Term Debt*.

We also had a non-cancelable operating lease agreement of \$13.7 million at June 30, 2023, of which \$4.8 million is expected to be paid within the next 12 months. Remaining amounts are expected to be paid through 2028. See Footnote 14 - *Leases*.

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 our present and future working capital and cash requirements for at least the next twelve months. We also believe that our longer-term working capital, planned expenditures and other general funding requirements will be satisfied through cash flows from operations and, to the extent necessary, from our borrowing facilities.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

Our principal exposure to changes in financial market conditions in the normal course of our business is a result of our selective use of bank debt and transacting business in foreign currencies in connection with our foreign operations.

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include revolving credit facilities with a group of banks used to maintain liquidity and fund our business operations. The nature and amount of our debt may vary as a result of future business requirements, market conditions and other factors. A hypothetical 100 basis point increase or decrease in interest rates on total borrowings on our revolving credit facility and variable rate long-term debt, net of the impact of the interest rate swap, would have resulted in approximately a \$2.5 million and \$1.1 million increase or decrease in pre-tax income for the fiscal year ended June 30, 2023 and 2022, respectively.

We evaluate our interest rate risk and utilize interest rate swaps to mitigate the risk of interest rate fluctuations associated with our current and long-term debt. At June 30, 2023 and 2022, we had \$329.9 million and \$271.2 million, respectively, in variable rate debt.

We entered into an interest rate swap on April 30, 2019, which was amended on September 28, 2022. The interest rate swap 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. We entered into an additional interest rate swap on March 31, 2023 to lock into a fixed SOFR interest rate. The interest rate swap has notional amount of \$25 million and a maturity date of March 31, 2028.

The purpose of these interest rate swaps is to manage or hedge our exposure to floating rate debt and achieve a desired proportion of fixed versus floating rate debt. Our use of derivative instruments have the potential to expose us to certain market risks including the possibility of (1) our hedging activities not being as effective as anticipated in reducing the volatility of our cash flows, (2) the counterparty not performing its obligations under the applicable hedging arrangement, (3) the hedging arrangement being imperfect or ineffective or (4) the terms of the swap or associated debt changing. We seek to lessen such risks by having established a policy to identify, control and manage market risks which may arise from changes in interest rates, as well as limiting our counterparties to major financial institutions.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency risks that arise from our foreign operations in Canada, Brazil and the UK. These risks include transactions denominated in non-functional currencies and intercompany loans with foreign subsidiaries. In the normal course of the business, foreign exchange risk is managed by the use of currency options and forward contracts to hedge these exposures as well as balance sheet netting of exposures. In addition, exchange rate fluctuations may cause our international results to fluctuate significantly when translated into U.S. dollars. A hypothetical 10% increase or decrease in foreign exchange rates would have resulted in approximately a \$2.7 million and \$2.2 million increase or decrease in pre-tax income for fiscal years ended June 30, 2023 and 2022, respectively. These risks may change over time as business practices evolve and could have a material impact on our financial results in the future.

Our senior management has approved a foreign exchange hedging policy to reduce foreign currency exposure. Our policy is to utilize financial instruments to reduce risks where internal netting cannot be effectively employed and not to enter into foreign currency derivative instruments for speculative or trading purposes. We monitor our risk associated with the volatility of certain foreign currencies against our functional currencies and enter into foreign exchange derivative contracts to minimize short-term currency risks on cash flows. These positions are based upon balance sheet exposures and, in certain foreign currencies, our forecasted purchases and sales. We continually evaluate foreign exchange risk and may enter into foreign exchange transactions in accordance with our policy. Actual variances from these forecasted transactions can adversely impact foreign exchange results. Foreign currency gains and losses are included in other expense (income).

We have elected not to designate our foreign currency contracts as hedging instruments, and therefore, the instruments are marked-to-market with changes in their values recorded in the consolidated income statement each period. Our foreign currencies are primarily Brazilian reais, British pounds and Canadian dollars. At June 30, 2023 and 2022, the fair value of our currency forward contracts were a net asset or payable of less than \$0.1 million.

ITEM 8. Financial Statements and Supplementary Data.

Index to Financial Statements

	<u>Page</u>
Financial Statements	
Report of Grant Thornton LLP Independent Registered Public Accounting Firm (PCAOB ID: 248)	39
Report of Grant Thornton LLP Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	40
Consolidated Balance Sheets	41
Consolidated Income Statements	42
Consolidated Statements of Comprehensive Income (Loss)	43
Consolidated Statements of Shareholders' Equity	44
Consolidated Statements of Cash Flows	45
Notes to Consolidated Financial Statements	47

All schedules and exhibits not included are not applicable, not required or would contain information that is shown in the financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ScanSource, Inc.:

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of ScanSource, Inc. (a South Carolina corporation) and subsidiaries (the “Company”) as of June 30, 2023 and 2022, the related consolidated statements of income, comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended June 30, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2023, based on criteria established in the *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated August 22, 2023 expressed an unqualified opinion.

Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Grant Thornton LLP

We have served as the Company’s auditor since 2014.

Columbia, South Carolina
August 22, 2023

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ScanSource, Inc.:

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of ScanSource, Inc. (a South Carolina corporation) and subsidiaries (the “Company”) as of June 30, 2023, based on criteria established in the *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2023, based on criteria established in the *2013 Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended June 30, 2023, and our report dated August 22, 2023 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Grant Thornton, LLP

Columbia, South Carolina
August 22, 2023

ScanSource, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share information)

	June 30, 2023	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,178	\$ 37,987
Accounts receivable, less allowance of \$15,480 at June 30, 2023 and \$16,806 at June 30, 2022	753,236	729,442
Inventories	757,574	614,814
Prepaid expenses and other current assets	110,087	141,562
Total current assets	1,657,075	1,523,805
Property and equipment, net	37,379	37,477
Goodwill	216,706	214,435
Identifiable intangible assets, net	68,495	84,427
Deferred income taxes	17,764	15,668
Other non-current assets	70,750	61,616
Total assets	\$ 2,068,169	\$ 1,937,428
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 691,119	\$ 714,177
Accrued expenses and other current liabilities	78,892	88,455
Income taxes payable	9,875	34
Current portion of long-term debt	6,915	11,598
Total current liabilities	786,801	814,264
Deferred income taxes	3,816	3,144
Long-term debt, net of current portion	144,006	123,733
Borrowings under revolving credit facility	178,980	135,839
Other long-term liabilities	49,268	53,920
Total liabilities	1,162,871	1,130,900
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, 24,844,203 and 25,187,351 shares issued and outstanding at June 30, 2023 and June 30, 2022, respectively	58,241	64,297
Retained earnings	936,678	846,869
Accumulated other comprehensive loss	(89,621)	(104,638)
Total shareholders' equity	905,298	806,528
Total liabilities and shareholders' equity	\$ 2,068,169	\$ 1,937,428

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Income Statements
Years Ended June 30, 2023, 2022 and 2021
(in thousands, except per share information)

	2023	2022	2021
Net sales	\$ 3,787,721	\$ 3,529,935	\$ 3,150,806
Cost of goods sold	3,338,482	3,103,411	2,800,090
Gross profit	449,239	426,524	350,716
Selling, general and administrative expenses	285,695	275,442	247,438
Depreciation expense	10,912	11,062	12,533
Intangible amortization expense	16,746	17,853	19,488
Restructuring and other charges	—	—	9,258
Change in fair value of contingent consideration	—	—	516
Operating income	135,886	122,167	61,483
Interest expense	19,786	6,523	6,929
Interest income	(7,414)	(4,333)	(3,097)
Other expense, net	1,664	1,354	116
Income before income taxes	121,850	118,623	57,535
Provision for income taxes	33,758	29,925	12,146
Net income from continuing operations	88,092	88,698	45,389
Net income (loss) from discontinued operations	1,717	100	(34,594)
Net income	\$ 89,809	\$ 88,798	\$ 10,795
Per share data:			
Net income from continuing operations per common share, basic	\$ 3.50	\$ 3.48	\$ 1.79
Net income (loss) from discontinued operations per common share, basic	0.07	—	(1.36)
Net income per common share, basic	\$ 3.57	\$ 3.48	\$ 0.42
Weighted-average shares outstanding, basic	25,142	25,504	25,423
Net income from continuing operations per common share, diluted	\$ 3.47	\$ 3.44	\$ 1.78
Net income (loss) from discontinued operations per common share, diluted	0.07	—	(1.36)
Net income per common share, diluted	\$ 3.54	\$ 3.45	\$ 0.42
Weighted-average shares outstanding, diluted	25,362	25,758	25,518

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
Years Ended June 30, 2023, 2022 and 2021
(in thousands)

	2023	2022	2021
Net income	\$ 89,809	\$ 88,798	\$ 10,795
Unrealized gain on hedged transaction, net of tax	2,254	5,833	2,249
Foreign currency translation adjustment	12,763	(12,338)	20,778
Realized foreign currency loss from discontinued operations	—	—	11,635
Comprehensive income	<u>\$ 104,826</u>	<u>\$ 82,293</u>	<u>\$ 45,457</u>

See accompanying notes to these consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Years Ended June 30, 2023, 2022 and 2021
(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 income	—	—	10,795	—	10,795
Unrealized gain on hedged transaction, net of tax	—	—	—	2,249	2,249
Foreign currency translation adjustment	—	—	—	20,778	20,778
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	138,167	(585)	—	—	(585)
Share-based compensation	—	8,073	—	—	8,073
Balance at June 30, 2021	25,499,465	71,253	758,071	(98,133)	731,191
Net income	—	—	88,798	—	88,798
Unrealized gain on hedged transaction, net of tax	—	—	—	5,833	5,833
Foreign currency translation adjustment	—	—	—	(12,338)	(12,338)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	238,080	(450)	—	—	(450)
Common stock repurchased	(550,194)	(18,203)	—	—	(18,203)
Share-based compensation	—	11,697	—	—	11,697
Balance at June 30, 2022	25,187,351	64,297	846,869	(104,638)	806,528
Net income	—	—	89,809	—	89,809
Unrealized gain on hedged transaction, net of tax	—	—	—	2,254	2,254
Foreign currency translation adjustment	—	—	—	12,763	12,763
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	180,960	(1,553)	—	—	(1,553)
Common stock repurchased	(524,108)	(15,753)	—	—	(15,753)
Share-based compensation	—	11,250	—	—	11,250
Balance at June 30, 2023	24,844,203	\$ 58,241	\$ 936,678	\$ (89,621)	\$ 905,298

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2023, 2022 and 2021
(in thousands)

	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 89,809	\$ 88,798	\$ 10,795
Net income (loss) from discontinued operations	1,717	100	(34,594)
Net income from continuing operations	88,092	88,698	45,389
Adjustments to reconcile net income to net cash (used in) provided by operating activities of continuing operations:			
Depreciation and amortization	28,614	29,884	33,507
Amortization of debt issue costs	577	417	417
Provision for doubtful accounts	2,785	1,514	338
Share-based compensation	11,219	11,663	8,039
Deferred income taxes	(1,496)	5,737	2,916
Change in fair value of contingent consideration	—	—	516
Contingent consideration payments excess	—	—	(5,457)
Finance lease interest	44	34	119
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(17,368)	(165,939)	(118,859)
Inventories	(138,313)	(145,962)	(12,301)
Prepaid expenses and other assets	32,653	(27,371)	(18,753)
Other non-current assets	(7,582)	1,123	9,948
Accounts payable	(30,656)	82,969	175,120
Accrued expenses and other liabilities	(14,195)	(4,869)	(493)
Income taxes payable	9,857	(2,252)	(3,679)
Net cash (used in) provided by operating activities of continuing operations	(35,769)	(124,354)	116,767
Cash flows from investing activities of continuing operations:			
Capital expenditures	(9,979)	(6,849)	(2,363)
Cash received for business disposal	1,717	3,125	34,356
Net cash (used in) provided by investing activities of continuing operations	(8,262)	(3,724)	31,993
Cash flows from financing activities of continuing operations:			
Borrowings on revolving credit, net of expenses	2,499,166	2,166,409	1,881,679
Repayments on revolving credit, net of expenses	(2,456,025)	(2,030,569)	(1,949,392)
Debt issuance costs	(1,407)	—	—
Borrowings (repayments) on long-term debt, net	15,590	(7,843)	(7,839)
Repayments of finance lease obligations	(589)	(1,238)	(1,294)
Contingent consideration payments	—	—	(41,393)
Exercise of stock options	910	2,304	451
Taxes paid on settlement of equity awards	(2,463)	(2,754)	(1,036)
Repurchase of common stock	(15,651)	(18,203)	—
Net cash provided by (used in) financing activities of continuing operations	39,531	108,106	(118,824)

	2023	2022	2021
		<i>(continued)</i>	
Cash flows from discontinued operations:			
Net cash flows provided by operating activities of discontinued operations	—	—	24,173
Net cash flows used in investing activities of discontinued operations	—	—	(58)
Net cash flows used in financing activities of discontinued operations	—	—	(29,494)
Net cash flows used in by discontinued operations	—	—	(5,379)
Effect of exchange rate changes on cash and cash equivalents	2,691	(4,759)	3,706
(Decrease) increase in cash and cash equivalents	(1,809)	(24,731)	28,263
Cash and cash equivalents at beginning of period	37,987	62,718	34,455
Cash and cash equivalents at end of period	36,178	37,987	62,718
Cash and cash equivalents of discontinued operations	—	—	—
Cash and cash equivalents of continuing operations	\$ 36,178	\$ 37,987	\$ 62,718
Supplemental disclosure of consolidated cash flow information:			
Interest paid during the year	\$ 18,789	\$ 6,066	\$ 6,412
Income taxes paid during the year	\$ 28,547	\$ 29,418	\$ 12,002

See accompanying notes to consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2023

(1) Business and Summary of Significant Accounting Policies

Business Description

ScanSource, Inc. (together with its subsidiaries referred to as “the Company” or “ScanSource”) is a leading hybrid distributor connecting devices to the cloud and accelerating growth for partners across hardware, Software as a Service (“SaaS”), connectivity and cloud. The Company brings technology solutions and services from the world's leading suppliers of mobility and barcode, point-of-sale (“POS”), payments, networking, physical security, unified communications and collaboration, telecom and cloud services to market. The Company operates in the United States, Canada, Brazil and the UK. The Company's two operating segments, Specialty Technology Solutions and Modern Communications & Cloud, are based on technology type and are generally related to technology devices and communication, connectivity and cloud services, respectively.

Cybersecurity Incident

On May 14, 2023, the Company discovered it was subject to a cybersecurity attack perpetrated by unauthorized third parties that affected its IT systems. Upon detection, the Company took immediate steps to address the incident, engaged third-party experts, and notified law enforcement. The Company has cyber insurance and is working with its insurance carriers on claims to recover costs incurred. On May 26, 2023, the Company substantially recovered its operations and completed the restoration of its pertinent IT systems. The Company has taken actions to strengthen its existing IT security infrastructure and continues to implement additional measures to prevent unauthorized access to, or manipulation of, its systems and data.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated. Unless otherwise indicated, amounts provided in these Notes pertain to continuing operations only.

Related Party Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. There were no material related party transactions for the fiscal years ended June 30, 2023, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates, including those related to the allowance for uncollectible accounts receivable, asset impairments, inventory reserves, purchase price allocations, goodwill and intangibles and supplier incentives. Management bases its estimates on assumptions that management believes to be reasonable under the circumstances, the results of which form a basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, management believes that its estimates, including those for the above-described items, are reasonable and that the actual results will not vary significantly from the estimated amounts.

The following accounting policies relate to the more significant judgments and estimates used in the preparation of the Consolidated Financial Statements:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

(a) Allowances for Trade and Notes Receivable

The Company maintains an allowance for uncollectible accounts receivable for estimated losses resulting from customers' failure to make payments on accounts receivable due to the Company.

Management determines the estimate of the allowance for uncollectible 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. If the financial condition of the Company's customers were to deteriorate and reduce the ability of the Company's customers to make payments on their accounts, the Company may be required to increase its allowance by recording additional bad debt expense. Likewise, should the financial condition of the Company's customers improve and result in payments or settlements of previously reserved amounts, the Company may be required to record a reduction in bad debt expense to reverse the recorded allowance.

(b) Inventory Reserves

Management determines the inventory reserves required to reduce inventories to the lower of cost or net realizable value based principally on the effects of technological changes, quantities of goods on hand, length of time on hand and other factors. Net realizable value is determined based on continual inquiries of suppliers who are able to provide credible knowledge of the salability and value of the products. An estimate is made of the net realizable value, less cost to dispose, of products whose value is determined to be impaired. If these products are ultimately sold at less than estimated amounts, additional reserves may be required. The estimates used to calculate these reserves are applied consistently. The adjustments are recorded in the period in which the loss of utility of the inventory occurs, which establishes a new cost basis for the inventory. This new cost basis is maintained until the reserved inventory is disposed of, returned to the supplier or sold. To the extent that specifically reserved inventory is sold, cost of goods sold is expensed for the new cost basis of the inventory sold.

(c) Purchase Price Allocations

The Company accounts for business combinations in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*. For each acquisition, the Company allocates the purchase price to assets acquired, liabilities assumed and goodwill and intangibles. The Company recognizes assets and liabilities acquired at their estimated fair values. Management uses judgment to (i) identify the acquired assets and liabilities assumed, (ii) estimate the fair value of these assets, (iii) estimate the useful life of the assets and (iv) assess the appropriate method for recognizing depreciation or amortization expense over the assets' useful life.

(d) Goodwill and Intangible Asset Fair Value

The Company estimates the fair value of its goodwill reporting units, as well as its finite lived intangible assets primarily based on the income approach utilizing the discounted cash flow method. The Company also utilizes fair value estimates derived from the market approach utilizing the public company market multiple method to validate the results of the discounted cash flow method for fair value of goodwill, which requires it to make assumptions about the applicability of those multiples to its reporting units. The discounted cash flow method requires the Company to estimate future cash flows, using key assumptions such as the weighted average cost of capital, revenue growth rates, projected gross margin and operating margin percentage growth, expected working capital changes and a related cash flow impact from working capital changes, and then discount those amounts at an appropriate discount rate to present value.

(e) Supplier Incentives

The Company receives incentives from suppliers as achievement-based supplier rebates that require management to make certain estimates about the amount of supplier consideration that will be received. Achievement-based supplier rebates are earned by achieving certain sales or purchase targets on a periodic basis. The Company determines whether, among other items, all qualifying sales and purchases are considered in calculating the rebates and cash receipts or credit memos

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

received are appropriately applied. The determination of achievement-based rebates requires management to make assumptions about future purchases and sales. Estimates are based on the terms of the incentive program and historical experiences.

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 \$8.0 million and \$18.0 million are classified as accounts payable as of June 30, 2023 and 2022, respectively.

The Company maintains its cash with various financial institutions globally that are monitored regularly for credit quality, although it may hold amounts in excess of Federal Deposit Insurance Corporation or other insured limits. Cash and cash equivalents held outside of the United States totaled \$31.0 million and \$35.0 million as of June 30, 2023 and 2022, respectively.

Concentration of Credit Risk

The Company sells to a large base of customers throughout the United States, Canada, Brazil and the UK. The Company performs ongoing credit evaluations of its customers' financial condition. In certain cases, the Company will accept tangible assets as collateral to increase the trade credit of its customers. Sales to any one customer were less than 10% of the Company's net sales for fiscal years 2023, 2022 and 2021.

In the event that the Company does not collect payment on accounts receivable within the established trade terms for certain customers, the Company may establish arrangements for longer-term financing. The Company accounts for these arrangements by recording them at their historical cost less specific allowances at balance sheet dates. Interest income is recognized in the period earned and is recorded as interest income in the Consolidated Income Statement.

Derivative Financial Instruments

The Company uses derivative instruments to manage certain exposures related to fluctuations in foreign currency exchange rates and changes in interest rates in connection with borrowing activities. The Company records all derivative instruments as either assets or liabilities in the Consolidated Balance Sheet at fair value. The Company does not use derivative financial instruments for trading or speculative purposes.

The Company's exposure to changes in foreign currency exchange rates results from foreign currency denominated assets and liabilities, purchasing and selling internationally in several foreign currencies and from intercompany loans with foreign subsidiaries. The Company's objective is to preserve the economic value of non-functional currency denominated cash flows. The Company's foreign currencies are denominated primarily in Brazilian reais, British pounds and Canadian dollars.

The Company may reduce its exposure to fluctuations in foreign exchange rates by creating offsetting positions through the use of derivative financial instruments. The market risk related to the foreign exchange agreements is offset by changes in the valuation of the underlying items. These contracts are generally for a duration of 90 days or less. The Company has elected not to designate its foreign currency contracts as hedging instruments. They are, therefore, marked-to-market with changes in their fair value recorded in the Consolidated Income Statement each period. Derivative financial instruments related to foreign currency exposure are accounted for on an accrual basis with gains or losses on these contracts recorded in income in the period in which their value changes, with the offsetting entry for unsettled positions reflected in either other assets or other liabilities.

The Company's earnings are affected by changes in interest rates due to the impact those changes have on interest expense from floating rate debt instruments. To manage the exposure, the Company has an interest rate swap agreement and has designated this instrument as a hedge of the cash flows on certain variable rate debt. To the extent the derivative instrument was effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative instrument were not included in

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

current earnings, but were reported as other comprehensive income (loss). There was no ineffective portion recorded as an adjustment to earnings for the years ended June 30, 2023, 2022 and 2021.

Investments

The Company has investments that are held in a grantor trust formed by the Company related to the ScanSource, Inc. Nonqualified Deferred Compensation Plan and founder's Supplemental Executive Retirement Plan. The Company has classified these investments as trading securities, and they are recorded at fair value with unrealized gains and losses included in the accompanying Consolidated Income Statements. The Company's obligations under this deferred compensation plan change in concert with the performance of the investments along with contributions to and withdrawals from the plan. The fair value of these investments and the corresponding deferred compensation obligation was \$28.2 million and \$25.2 million as of June 30, 2023 and June 30, 2022, respectively. These investments are classified as either prepaid expenses and current assets or other non-current assets in the Consolidated Balance Sheets depending on the timing of planned disbursements. The deferred compensation obligation is classified either within accrued expenses and other current liabilities or other long-term liabilities as well. The amounts of these investments classified as current assets with corresponding current liabilities were \$3.5 million and \$2.6 million at June 30, 2023 and June 30, 2022, respectively.

Inventories

Inventories (consisting entirely of finished goods) are stated at the lower of cost (first-in, first-out method) or net realizable value.

Supplier Programs

The Company receives incentives from suppliers related to cooperative advertising allowances, volume rebates and other incentive programs. These incentives are generally under quarterly, semi-annual or annual agreements with the suppliers. Some of these incentives are negotiated on an ad hoc basis to support specific programs mutually developed between the Company and the supplier. Suppliers generally require that the Company use the suppliers' cooperative advertising allowances for advertising or other marketing programs. Incentives received from suppliers for specifically identified incremental cooperative advertising programs are recorded as adjustments to net sales. ASC 606, *Revenue from Contracts with Customers* addresses accounting for consideration payable to a customer, which the Company interprets and applies as the customer (i.e., the Company) receiving advertising funds from a supplier. The portion of these supplier funds in excess of our costs are reflected as a reduction of inventory. Such funds are recognized as a reduction of the cost of goods sold when the related inventory is sold.

The Company records unrestricted volume rebates received as a reduction of inventory and reduces the cost of goods sold when the related inventory is sold. Amounts received or receivables from suppliers that are not yet earned are deferred in the Consolidated Balance Sheets. Supplier receivables are generally collected through reductions to accounts payable authorized by the supplier. In addition, the Company may receive early payment discounts from certain suppliers. The Company records early payment discounts received as a reduction of inventory, thereby resulting in a reduction of cost of goods sold when the related inventory is sold. Management makes certain estimates of the amounts of supplier consideration that will be received. Estimates are based on the terms of the incentive program and historical experiences. Actual recognition of the supplier consideration may vary from management estimates.

Supplier Concentration

The Company sells products from many suppliers; however, sales of products supplied by Cisco and Zebra each constituted more than 10% of the Company's net sales for the years ended June 30, 2023, 2022 and 2021.

Product Warranty

The Company's suppliers generally provide a warranty on the products provided by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. In three of its product lines, the Company offers a self-branded warranty program, in which management has determined that the Company is the primary

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

obligor. The Company purchases contracts from unrelated third parties, generally the original equipment manufacturers, to fulfill any obligation to service or replace defective product claimed on these warranty programs. As a result, the Company has not recorded a provision for estimated service warranty costs. To maintain customer relations, the Company facilitates returns of defective products from the Company's customers by accepting for exchange, with the Company's prior approval, most defective products within 30 days of invoicing.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 10 years for furniture, equipment and computer software, 25 to 40 years for buildings and 15 years for building improvements. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life. Maintenance, repairs and minor renewals are charged to expense as incurred. Additions, major renewals and betterments to property and equipment are capitalized.

Capitalized Software

The Company accounts for capitalized software in accordance with ASC 350-40, *Computer Software Developed for Internal Use*, which provides guidance for computer software developed or obtained for internal use. The Company is required to continually evaluate the stage of the implementation process to determine whether or not costs are expensed or capitalized. Costs incurred during the preliminary project phase or planning and research phase are expensed as incurred. Costs incurred during the development phase, such as material and direct services costs, compensation costs of employees associated with the development and interest cost, are capitalized as incurred. Costs incurred during the post-implementation or operation phase, such as training and maintenance costs, are expensed as incurred. In addition, costs incurred to modify existing software that result in additional functionality are capitalized as incurred.

Goodwill

The Company accounts for recorded goodwill in accordance with ASC 350, *Goodwill and Other Intangible Assets*, which requires that goodwill be reviewed annually for impairment or more frequently if impairment indicators exist. Goodwill testing utilizes an impairment analysis, whereby the Company compares the carrying value of each identified reporting unit to its fair value. The Company's goodwill reporting units align directly with its operating segments, Specialty Technology Solutions and Modern Communications & Cloud. The fair values of the reporting units are estimated using the net present value of discounted cash flows generated by each reporting unit. Considerable judgment is necessary in estimating future cash flows, discount rates and other factors affecting the estimated fair value of the reporting units, including operating and macroeconomic factors. Historical financial information, internal plans and projections and industry information are used in making such estimates.

Under Accounting Standards Update ("ASU") 2017-04, if fair value of goodwill is determined to be less than carrying value, an impairment loss is recognized for the amount of the carrying value that exceeds the amount of the reporting units' fair value, not to exceed the total amount of goodwill allocated to the reporting unit. Additionally, the Company would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The Company also assesses the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired. In its most recent annual test, the Company estimated the fair value of its reporting units primarily based on the income approach utilizing the discounted cash flow method. The Company also corroborated the fair value estimates derived from the income approach by considering the implied market multiples of comparable transactions and companies. The discounted cash flow method required the Company to estimate future cash flows and discount those amounts to present value. The key assumptions utilized in determining fair value included:

- Industry weighted-average cost of capital ("WACC"): The Company utilized a WACC relative to each reporting unit's respective geography and industry as the discount rate for estimated future cash flows. The WACC is intended to represent a rate of return that would be expected by a market participant in each respective geography.
- Operating income: The Company utilized historical and expected revenue growth rates, gross margins and operating expense percentages, which varied based on the projections of each reporting unit being evaluated.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

- Cash flows from working capital changes: The Company utilized a projected cash flow impact pertaining to depreciation, capital expenditures and expected changes in working capital as each of its goodwill reporting units grow.

No goodwill impairment charges were recognized for the fiscal years ended June 30, 2023, 2022 and 2021. See Note 7 - *Goodwill and Other Identifiable Intangible Assets* for more information regarding goodwill and the results of our testing.

Intangible Assets

Intangible assets consist of customer relationships, trade names, distributor agreements, supplier partner programs, developed technology, non-compete agreements and an encryption key library. Customer relationships, trade names, supplier partner programs, developed technology and the encryption key library are amortized using the straight-line method over their estimated useful lives, which range from 4 to 19 years. Non-compete agreements are amortized over their contract life.

These assets are shown in detail in Note 7 - *Goodwill and Other Identifiable Intangible Assets*.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Tests for recoverability of a long-lived asset to be held and used are measured by comparing the carrying amount of the long-lived asset to the sum of the estimated future undiscounted cash flows expected to be generated by the asset. In estimating the future undiscounted cash flows, the Company uses projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the assets. If it is determined that a long-lived asset is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset over its fair value. No intangible asset or other long-lived asset impairment charges were recognized for the fiscal years ended June 30, 2023, 2022 and 2021. See Note 7 - *Goodwill and Other Identifiable Intangible Assets* for more information regarding intangible asset impairment charges.

Fair Value of Financial Instruments

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying values of financial instruments such as accounts receivable, accounts payable, accrued liabilities, borrowings under the revolving credit facility and subsidiary lines of credit approximate fair value based upon either short maturities or variable interest rates of these instruments. For additional information related to the fair value of derivatives, please see Note 10 - *Fair Value of Financial Instruments*.

Contingencies

The Company accrues for contingent obligations, including estimated legal costs, when it is probable that a liability is incurred and the amount is reasonably estimable. As facts concerning contingencies become known, management reassesses its position and makes appropriate adjustments to the financial statements. Estimates that are particularly sensitive to future changes include tax, legal and other regulatory matters, which are subject to change as events evolve and as additional information becomes available during the administrative and litigation process.

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. 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 a Company warehouse, (ii) drop-shipment directly from the supplier, or (iii) electronic delivery for software licenses. For more detailed disclosures on the Company's revenue recognition policies, see Note 3 - *Revenue Recognition*.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

Advertising Costs

The Company defers advertising-related costs until the advertising is first run in trade or other publications or, in the case of brochures, until the brochures are printed and available for distribution or posted online. Advertising costs, net of supplier reimbursement, are included in selling, general and administrative expenses and were not significant in any of the three fiscal years ended June 30, 2023, 2022 and 2021. Deferred advertising costs for each of these three fiscal years were also not significant.

Foreign Currency

The currency effects of translating the financial statements of the Company's foreign entities that operate in their local currency are included in the cumulative currency translation adjustment component of accumulated other comprehensive income or loss. The Company's functional currencies include U.S. dollars, Brazilian reals, British pounds, euros and Canadian dollars. The assets and liabilities of these foreign entities are translated into U.S. dollars using the exchange rate at the end of the respective period. Sales, costs and expenses are translated at average exchange rates effective during the respective period. Foreign currency transactional and re-measurement gains and losses are included in other expense (income) in the Consolidated Income Statements. Such amounts are not significant to any of the periods presented.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. In accordance with ASC 740, *Accounting for Income Taxes*, valuation allowances are provided against deferred tax assets when it is more likely than not that an asset will not be realized. Additionally, the Company maintains reserves for uncertain tax provisions. See Note 13 - *Income Taxes* for further discussion.

Share-Based Payments

The Company accounts for share-based compensation using the provisions of ASC 718, *Accounting for Stock Compensation*, which requires the recognition of the fair value of share-based compensation. Furthermore, the Company adopted ASU 2016-09, which simplified several aspects of the accounting for share-based compensation, including income tax effects, forfeitures, statutory withholding requirements and cash flow statement classifications. Share-based compensation is estimated at the grant date based on the fair value of the awards. Since this compensation cost is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. ASU 2016-09 allows companies to elect an accounting policy to estimate the total number of awards for which the requisite service period will not be rendered or to account for forfeitures when they occur. The Company estimates the total number of awards expected to be forfeited at the time of grant and revise such estimates, if necessary, in subsequent periods if actual forfeitures differ. The Company has elected to expense grants of awards with graded vesting on a straight-line basis over the requisite service period for each separately vesting portion of the award.

Common stock repurchases

Repurchases of common stock are accounted for at cost, which includes brokerage fees, and are included as a component of shareholder's equity on the Consolidated Balance Sheets.

Comprehensive Income

ASC 220, *Comprehensive Income*, defines comprehensive income as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The components of comprehensive income for the Company include net income, unrealized gains or losses on hedged transactions, net of tax and foreign currency translation adjustments arising from the consolidation of the Company's foreign subsidiaries.

Recent Accounting Pronouncements

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

The Company has reviewed 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 are recorded at inception and adjusted over the contractual life.

The changes in the allowance for doubtful accounts for the fiscal years ended June 30, 2023, 2022 and 2021 are set forth in the tables below.

Description	Balance at Beginning of Period	Amounts Charged to Expense	Write-offs	Other ⁽¹⁾	Balance at End of Period
	<i>(in thousands)</i>				
Allowance for doubtful accounts:					
Year ended June 30, 2021	\$ 21,906	338	(4,556)	1,653	\$ 19,341
Year ended June 30, 2022	\$ 19,341	1,514	(1,751)	(2,298)	\$ 16,806
Year ended June 30, 2023	\$ 16,806	2,785	(2,062)	(2,049)	\$ 15,480

(1) "Other" amounts include recoveries and the effect of foreign currency fluctuations for the fiscal years ended June 30, 2023, 2022 and 2021, respectively.

(3) Revenue Recognition

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

Significant Judgments:

Principal versus Agent Considerations

The Company is the principal for sales of hardware, and certain software services. The Company considers itself the principal in those transactions where it has control of the product or service before it is transferred to the customer. The Company recognizes the principal-associated 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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

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. The Intelisys business operates under an agency model.

Variable Considerations

For certain transactions, products are sold with a right of return, and the Company may also provide other rebates or incentives, which are accounted for as variable consideration. The Company estimates the amount of variable consideration for rebates and incentives by using the expected value 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. The Company estimates returns allowance based on historical experience and reduces revenue accordingly.

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.

Practical Expedients & Accounting Policy Elections

- *Incremental costs of obtaining a contract* - These costs are included in selling, general and administrative expenses as the amortization period is generally one year or less. The Company expenses costs associated with obtaining and fulfilling contracts as incurred.
- *Shipping costs* - The Company accounts for certain shipping and handling activities as fulfillment costs and expenses them as incurred.
- *Significant financing components* - The Company has elected not to adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will generally be one year or less.
- *Sales tax and other related taxes* - Sales and other tax amounts collected from customers for remittance to governmental authorities are excluded from revenue.

Disaggregation of Revenue

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

	Fiscal year ended June 30, 2023		
	Specialty Technology Solutions	Modern Communications & Cloud	Total
	<i>(in thousands)</i>		
Revenue by product/service type:			
Hardware, software and cloud (excluding Intelisys)	\$ 2,331,030	\$ 1,377,185	\$ 3,708,215
Intelisys connectivity and cloud	—	79,506	79,506
	<u>\$ 2,331,030</u>	<u>\$ 1,456,691</u>	<u>\$ 3,787,721</u>

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Fiscal year ended June 30, 2022		
	Specialty Technology Solutions	Modern Communications & Cloud	Total
Revenue by product/service type:	<i>(in thousands)</i>		
Hardware, software and cloud (excluding Intelisys)	\$ 2,082,321	\$ 1,373,342	\$ 3,455,663
Intelisys connectivity and cloud	—	74,272	74,272
	<u>\$ 2,082,321</u>	<u>\$ 1,447,614</u>	<u>\$ 3,529,935</u>

	Fiscal year ended June 30, 2021		
	Specialty Technology Solutions	Modern Communications & Cloud	Total
Revenue by product/service type:	<i>(in thousands)</i>		
Hardware, software and cloud (excluding Intelisys)	\$ 1,815,933	\$ 1,269,930	\$ 3,085,863
Intelisys connectivity and cloud	—	64,943	64,943
	<u>\$ 1,815,933</u>	<u>\$ 1,334,873</u>	<u>\$ 3,150,806</u>

(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.

	Fiscal year ended June 30,		
	2023	2022	2021
	<i>(in thousands, except per share data)</i>		
Numerator:			
Net income from continuing operations	\$ 88,092	\$ 88,698	\$ 45,389
Net income (loss) from discontinued operations	1,717	100	(34,594)
Net income	<u>\$ 89,809</u>	<u>\$ 88,798</u>	<u>\$ 10,795</u>
Denominator:			
Weighted-average shares, basic	25,142	25,504	25,423
Dilutive effect of share-based payments	220	254	95
Weighted-average shares, diluted	<u>25,362</u>	<u>25,758</u>	<u>25,518</u>
Net income from continuing operations per common share, basic	\$ 3.50	\$ 3.48	\$ 1.79
Net income (loss) from discontinued operations per common share, basic	0.07	—	(1.36)
Net income per common share, basic	<u>\$ 3.57</u>	<u>\$ 3.48</u>	<u>\$ 0.42</u>
Net income from continuing operations per common share, diluted	\$ 3.47	\$ 3.44	\$ 1.78
Net income (loss) from discontinued operations per common share, diluted	0.07	—	(1.36)
Net income per common share, diluted	<u>\$ 3.54</u>	<u>\$ 3.45</u>	<u>\$ 0.42</u>

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

For the years ended June 30, 2023, 2022 and 2021, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would have been antidilutive were 1,135,984, 926,286 and 1,297,214, respectively.

(5) Property and Equipment

Property and equipment is comprised of the following:

	June 30,	
	2023	2022
	<i>(in thousands)</i>	
Land	\$ 2,143	\$ 2,999
Buildings and leasehold improvements	20,326	19,838
Computer software and equipment	77,673	72,289
Furniture, fixtures and equipment	17,895	15,223
Construction in progress	919	209
Rental equipment	10,734	9,539
	<u>129,690</u>	<u>120,097</u>
Less accumulated depreciation	<u>(92,311)</u>	<u>(82,620)</u>
	<u>\$ 37,379</u>	<u>\$ 37,477</u>

Depreciation expense recorded as selling, general and administrative costs in the accompanying Consolidated Income Statements was \$10.9 million, \$11.1 million and \$12.5 million for the fiscal years ended June 30, 2023, 2022 and 2021, respectively. Depreciation expense recorded as cost of goods sold in the accompanying Consolidated Income Statements was \$1.0 million, \$1.0 million and \$1.5 million for the fiscal years ended June 30, 2023, 2022 and 2021, respectively.

(6) Other Assets and Liabilities, Current and Noncurrent

The table below details prepaid expenses and other current assets.

	June 30,	
	2023	2022
	<i>(in thousands)</i>	
Other receivables	\$ 72,539	\$ 70,105
Prepaid expense	14,547	51,013
Other taxes receivable	7,500	5,177
Other current assets	15,501	15,267
	<u>\$ 110,087</u>	<u>\$ 141,562</u>

The table below details accrued expenses and other current liabilities.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	June 30,	
	2023	2022
	<i>(in thousands)</i>	
Deferred warranty revenue	\$ 8,640	\$ 9,640
Accrued compensation	24,403	25,180
Other taxes payable	5,848	10,852
Accrued marketing expense	7,878	7,697
Accrued freight	3,428	3,421
Short-term operating lease liability	4,355	4,499
Other accrued liabilities	24,341	27,166
	\$ 78,893	\$ 88,455

(7) Goodwill and Other Identifiable Intangible Assets

In accordance with ASC 350, *Intangibles - Goodwill and Other Intangible Assets*, the Company performs its annual goodwill impairment test during the fourth quarter of each fiscal year, or whenever indicators of impairment are present. The reporting units utilized for goodwill impairment tests align directly with our operating segments, Specialty Technology Solutions and Modern Communications & Cloud. The testing includes the determination of each reporting unit's fair value using a discounted cash flows model compared to each reporting unit's carrying value. Key assumptions used in determining fair value include projected growth and operating margin, working capital requirements and discount rates. During fiscal years ended June 30, 2023, 2022 and 2021, no impairment charges related to goodwill were recorded. The fair value of the Specialty Technology Solutions and Modern Communications & Cloud reporting units exceeded its carrying value by 2% and 13%, respectively, as of the annual goodwill impairment testing date.

Changes in the carrying amount of goodwill for the years ended June 30, 2023 and 2022, by reportable segment, are set forth in the table below.

	Specialty Technology Solutions	Modern Communications & Cloud	Total
	<i>(in thousands)</i>		
Balance at June 30, 2021	\$ 16,370	\$ 202,507	\$ 218,877
Unrealized loss on foreign currency translation	—	(4,442)	(4,442)
Balance at June 30, 2022	\$ 16,370	\$ 198,065	\$ 214,435
Unrealized gain on foreign currency translation	—	2,271	2,271
Balance at June 30, 2023	\$ 16,370	\$ 200,336	\$ 216,706

The following table shows the Company's identifiable intangible assets as of June 30, 2023 and 2022, respectively.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	June 30, 2023			June 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	<i>(in thousands)</i>					
Amortized intangible assets:						
Customer relationships	\$ 138,574	\$ 90,650	\$ 47,924	\$ 137,366	\$ 79,147	\$ 58,219
Trade names	19,562	14,109	5,453	19,480	12,469	7,011
Non-compete agreements	2,410	2,410	—	2,410	2,396	14
Supplier partner program	4,085	2,481	1,604	4,085	2,051	2,034
Encryption key library	19,900	14,718	5,182	19,900	12,230	7,670
Developed technology	14,262	5,930	8,332	13,865	4,386	9,479
Total intangibles	<u>\$ 198,793</u>	<u>\$ 130,298</u>	<u>\$ 68,495</u>	<u>\$ 197,106</u>	<u>\$ 112,679</u>	<u>\$ 84,427</u>

The weighted-average amortization period for all intangible assets was approximately 10 years for the fiscal years ended June 30, 2023, 2022 and 2021. Amortization expense for continuing operations for the years ended June 30, 2023, 2022 and 2021 was \$16.7 million, \$17.9 million and \$19.5 million, respectively, all of which relates to selling, general and administrative costs, not the cost of selling goods, and has been presented as such in the accompanying Consolidated Income Statements.

Estimated future amortization expense is as follows:

Year Ended June 30,	Amortization Expense <i>(in thousands)</i>
2024	\$ 16,783
2025	16,783
2026	12,882
2027	6,674
2028	5,317
Thereafter	10,056
Total	<u>\$ 68,495</u>

(8) Short Term Borrowings and Long Term Debt

The following table shows the Company's short-term and long-term debt as of June 30, 2023 and 2022, respectively.

	June 30,	
	2023	2022
	<i>(in thousands)</i>	
Current portion of long-term debt	\$ 6,915	\$ 11,598
Mississippi revenue bond, net of current portion	3,381	3,733
Senior secured term loan facility, net of current portion	140,625	120,000
Borrowings under revolving credit facility	178,980	135,839
Total debt	<u>\$ 329,901</u>	<u>\$ 271,170</u>

Credit Facility

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

The Company has a multi-currency senior secured credit facility (as amended, the "Amended Credit Agreement") with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks (collectively the "Lenders"). On September 28, 2022, the Company amended and restated the Amended Credit Agreement, which includes (i) a five-year, \$350 million multicurrency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. The Amended Credit Agreement extended the credit facility maturity date to September 28, 2027. In addition, 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. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of the domestic assets of the Company and its domestic subsidiaries. Under the terms of the revolving credit facility, the payment of cash dividends is restricted. The Company incurred debt issuance costs of \$1.4 million in connection with the amendment and restatement of 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.

Loans denominated in U.S. dollars, other than swingline loans, bear interest at a rate per annum equal to, at the Company's option, (i) the adjusted term Secured Overnight Financing Rate ("SOFR") or adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon the Company's ratio of (A) total consolidated debt less up to \$30 million of unrestricted domestic cash to (B) trailing four-quarter consolidated EBITDA measured as of the end of the most recent year or quarter, as applicable, for which financial statements have been delivered to the Lenders (the "leverage ratio"); or (ii) the alternate base rate plus an additional margin ranging from 0% to 0.75%, depending upon the Company's leverage ratio, plus, if applicable, certain mandatory costs. All swingline loans denominated in U.S. dollars bear interest based upon the adjusted daily simple SOFR plus an additional margin ranging from 1.00% to 1.75% depending upon the Company's leverage ratio, or such other rate as the Company and the applicable swingline lender may agree. The adjusted term SOFR and adjusted daily simple SOFR include a fixed credit adjustment of 0.10% over the applicable SOFR reference rate. Loans denominated in foreign currencies bear interest at a rate per annum equal to the applicable benchmark rate set forth in the Amended Credit Agreement plus an additional margin ranging from 1.00% to 1.75%, depending upon the Company's leverage ratio plus, if applicable, certain mandatory costs.

During the fiscal year ended June 30, 2023, the Company's borrowings under the credit facility were U.S. dollar loans. The spread in effect as of June 30, 2023 was 1.50%, plus a 0.10% credit spread adjustment for SOFR-based loans and 0.50% for alternate base rate loans. The commitment fee rate in effect as of June 30, 2023 was 0.25%. 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 as of 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 Amended Credit Agreement as of June 30, 2023.

The average daily balance outstanding on the revolving credit facility, excluding the term loan facility, was \$223.5 million and \$69.0 million during the fiscal year ended June 30, 2023 and 2022, respectively. There was \$171.0 million and \$214.2 million available for additional borrowings as of June 30, 2023 and 2022, respectively. There were no letters of credit issued under the multi-currency revolving credit facility as of June 30, 2023 and 2022.

Mississippi Revenue Bond

On August 1, 2007, the Company entered into an agreement with the State of Mississippi in order to provide financing for the acquisition and installation of certain equipment to be utilized at the Company's Southaven, Mississippi facility through the issuance of an industrial development revenue bond. The bond matures on September 1, 2032 and accrues interest at a rate equal to one-month term SOFR plus 0.10% plus the applicable margin 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 5th anniversary of the agreement, requiring the Company to pay back the bonds at 100% of the principal amount outstanding. As of June 30, 2023, the Company was in compliance with all covenants under this bond. The interest rates at June 30, 2023 and 2022 were 6.11% and 1.97%, respectively.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

Scheduled maturities of the Company's short-term borrowings, revolving credit facility and long-term debt at June 30, 2023 are as follows:

Fiscal year:	Revolving Credit Facility	Term Loan Facility	Mississippi Bond
	<i>(in thousands)</i>		
2024	\$ —	\$ 6,563	\$ 352
2025	—	7,500	357
2026	—	7,500	361
2027	—	10,313	366
2028	178,980	115,312	371
Thereafter	—	—	1,926
Total principal payments	<u>\$ 178,980</u>	<u>\$ 147,188</u>	<u>\$ 3,733</u>

Debt Issuance Costs

As of June 30, 2023, net debt issuance costs associated with the credit facility and bonds totaled \$1.6 million and are being amortized on a straight-line basis 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. See Note 1- *Business and Summary of Significant Accounting Policies* for more information regarding the Company's policy on derivative financial instruments.

The Company had contracts outstanding with notional amounts of \$34.3 million and \$34.5 million for the exchange of foreign currencies as of June 30, 2023 and 2022, 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 are as follows:

	Fiscal year ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Net foreign exchange derivative contract losses (gains)	\$ 3,928	\$ (304)	\$ 3,462
Net foreign currency transactional and re-measurement (gains) losses	(1,760)	2,382	(2,617)
Net foreign currency losses	<u>\$ 2,168</u>	<u>\$ 2,078</u>	<u>\$ 845</u>

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 and are included in other income and expense. Foreign exchange

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

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, the British pound versus the euro, and the Canadian dollar 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.

On April 30, 2019, the Company entered into an interest rate swap agreement to lock into a fixed LIBOR interest rate, which was amended on September 28, 2022, to change the reference rate from LIBOR to SOFR. 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.

On March 31, 2023, the Company entered into an interest rate swap agreement to lock into a fixed SOFR interest rate with a notional amount of \$25 million and a maturity date of March 31, 2028.

These interest rate swap agreements are 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 fiscal years ended June 30, 2023, 2022 and 2021.

The components of the cash flow hedge included in accumulated other comprehensive (loss) income, net of income taxes, in the Consolidated Statements of Shareholders’ Equity, are as follows:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Net interest (income) expense recognized as a result of interest rate swap	\$ (1,553)	\$ 2,088	\$ 2,250
Unrealized gain in fair value of interest swap rates	4,554	5,748	731
Net increase in accumulated other comprehensive income (loss)	3,001	7,836	2,981
Income tax effect	747	2,003	732
Net increase in accumulated other comprehensive income, net of tax	\$ 2,254	\$ 5,833	\$ 2,249

The Company has the following derivative instruments for continuing operations located on the Consolidated Balance Sheets as of June 30, 2023, utilized for the risk management purposes detailed above:

		June 30, 2023	
Balance Sheet Location		Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments
		<i>(in thousands)</i>	
Derivative assets:			
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	\$ 1
Interest rate swap agreement	Other current assets	\$ 4,687	\$ —
Foreign currency hedge	Other current assets	\$ 100	\$ —

The Company has the following derivative instruments located on the Consolidated Balance Sheets as of June 30, 2022, utilized for the risk management purposes detailed above:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

		June 30, 2022	
Balance Sheet Location		Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments
		<i>(in thousands)</i>	
Derivative assets:			
Interest rate swap agreement	Other current assets	\$ 1,686	\$ —
Derivative liabilities:			
Foreign exchange contracts	Accrued expenses and other current liabilities	\$ —	\$ 5
Foreign currency hedge	Other current liabilities	\$ 93	\$ —

(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 is required to classify certain assets and liabilities based on the fair value hierarchy, which groups 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;
- 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 at fair value on a recurring basis include deferred compensation plan investments, forward foreign currency exchange contracts, foreign currency hedge agreements, interest rate swap agreements and contingent consideration owed to the previous owners of Intelisys. The carrying value of debt listed in Note 8 - *Short-Term Borrowings and Long Term 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 as of June 30, 2023:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
	<i>(in thousands)</i>		
Assets:			
Deferred compensation plan investments, current and non-current portion	\$ 28,209	\$ 28,209	\$ —
Forward foreign currency exchange contracts	1	—	1
Interest rate swap agreement	4,687	—	4,687
Foreign currency hedge	100	—	100
Total assets at fair value	<u>\$ 32,997</u>	<u>\$ 28,209</u>	<u>\$ 4,788</u>
Liabilities:			
Deferred compensation plan investments, current and non-current portion	\$ 28,229	\$ 28,229	\$ —
Total liabilities at fair value	<u>\$ 28,229</u>	<u>\$ 28,229</u>	<u>\$ —</u>

The following table presents assets and liabilities measured at fair value on a recurring basis as of June 30, 2022:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)
	<i>(in thousands)</i>		
Assets:			
Deferred compensation plan investments, current and non-current portion	\$ 25,178	\$ 25,178	\$ —
Interest rate swap agreement	1,686	—	1,686
Total assets at fair value	<u>\$ 26,864</u>	<u>\$ 25,178</u>	<u>\$ 1,686</u>
Liabilities:			
Deferred compensation plan investments, current and non-current portion	\$ 25,178	\$ 25,178	\$ —
Forward foreign currency exchange contracts	5	—	5
Foreign currency hedge	93	—	93
Total liabilities at fair value	<u>\$ 25,276</u>	<u>\$ 25,178</u>	<u>\$ 98</u>

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 or active employees. These investments are recorded to prepaid and other current assets or other non-current assets depending on their corresponding, anticipated distributions 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 Consolidated Balance Sheet as prepaid expenses and other current assets or accrued expenses and other current liabilities, depending on the respective instruments' favorable or unfavorable positions. See Note 9 - *Derivatives and Hedging Activities*.

(11) Share-Based Compensation

Share-Based Compensation Plans

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

The Company has awards outstanding from two share-based compensation plans (the 2013 Long-Term Incentive Plan and the 2021 Long-Term Incentive Plan). The 2021 Long-Term Incentive Plan was approved at the annual meeting of the shareholders on January 27, 2022. The 2021 Plan permits the grant of any or all of the following types of awards to grantees: stock options, including non-qualified options and ISOs; SARs; restricted stock ("RSA"); deferred stock and restricted stock units ("RSU"); performance units ("PU") and performance shares; dividend equivalents; and other stock-based awards. Eligible grantees include employees, officers, non-employee consultants and non-employee directors of the Company and its affiliates. Awards are currently only being granted under the 2021 Long-Term Incentive Plan. As of June 30, 2023, there were 1,270,781 shares available for future grant under the 2021 Long-Term Incentive Plan. All of the Company's share-based compensation plans are shareholder approved, and it is the Company's belief that such awards align the interests of its employees and directors with those of its shareholders. An RSA is common stock that is subject to risk of forfeiture or other restrictions that lapse upon satisfaction of specified conditions. An RSU represents the right to receive shares of common stock in the future with the right to future delivery of the shares subject to risk of forfeiture or other restrictions that lapse upon satisfaction of specified conditions. A PU represents the right to receive shares of common stock in the future contingent on performance against predetermined objectives over a specified performance period.

The Company accounts for its share-based compensation awards in accordance with ASC 718, *Stock Compensation*, which requires all share-based compensation to be recognized in the income statement based on fair value and applies to all awards granted, modified, canceled or repurchased after the effective date. Total share-based compensation included as a component of selling, general and administrative expenses in our Consolidated Income Statements was as follows:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Share-based compensation related to:			
Equity classified stock options	\$ 1,426	\$ 1,848	\$ 1,332
Equity classified restricted stock	9,793	9,815	6,707
Total share-based compensation	\$ 11,219	\$ 11,663	\$ 8,039

Stock Options

The Company did not grant stock options during the fiscal year ended June 30, 2023 or June 30, 2022. The Company granted stock options for 640,782 shares during the fiscal year ended June 30, 2021 that vest annually over 3 years and have a 10-year contractual life. These options were granted with an exercise price that is no less than 100% of the fair market value of the underlying shares on the date of the grant.

The fair value of each option (for purposes of calculation of share-based compensation) was estimated on the date of grant using the Black-Scholes-Merton option pricing formula that uses assumptions determined at the date of grant. Use of this option pricing model requires the input of subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected term"), the estimated volatility of the Company's common stock price over the expected term ("expected volatility") and the number of options that will ultimately not complete their vesting requirements ("forfeitures"). Changes in the subjective assumptions can materially affect the estimate of the fair value of share-based compensation and, consequently, the related amount recognized in the Consolidated Income Statements.

The Company used the following weighted-average assumptions for the options granted in fiscal year ended June 30, 2021:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Fiscal Year Ended June 30,
	2021
Expected term	5 years
Expected volatility	42.78%
Risk-free interest rate	0.36%
Dividend yield	0.00%
Weighted-average fair value per option	\$9.01

The weighted-average expected term of the options represents the period of time the options are expected to be outstanding based on historical trends and behaviors of certain groups and individuals receiving these awards. The expected volatility is predominantly based on the historical volatility of our common stock for a period approximating the expected term. The risk-free interest rate reflects the interest rate at grant date on zero-coupon United States governmental bonds that have a remaining life similar to the expected option term. The dividend yield assumption was based on the Company's dividend payment history and management's expectations of future dividend payments.

A summary of activity under our stock option plans is presented below:

	Fiscal Year Ended June 30, 2023			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, beginning of year	1,123,099	\$ 32.23		
Granted during the period	—	—		
Exercised during the period	(36,435)	25.00		
Canceled, forfeited, or expired during the period	(59,993)	27.70		
Outstanding, end of year	<u>1,026,671</u>	32.76	4.57	\$ 2,113,985
Vested and expected to vest at June 30, 2023	<u>1,026,460</u>	32.76	4.57	\$ 2,112,871
Exercisable, end of year	<u>855,834</u>	\$ 34.28	4.01	\$ —

The aggregate intrinsic value was calculated using the market price of the Company's stock on June 30, 2023, and the exercise price for only those options that have an exercise price that is less than the market price of our stock. This amount will change as the market price per share changes. The aggregate intrinsic value of options exercised during the fiscal years ended June 30, 2023, 2022 and 2021 was \$0.2 million, \$0.6 million and less than \$0.1 million, respectively.

A summary of the status of the Company's shares subject to unvested options is presented below:

	Fiscal Year Ended June 30, 2023			
	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	
Unvested, beginning of year	384,638	\$ 25.16	\$ 9.08	
Granted	—	—	—	
Vested	(171,926)	25.11	9.06	
Canceled or forfeited	(41,875)	25.51	9.30	
Unvested, end of year	<u>170,837</u>	\$ 25.12	\$ 9.06	

As of June 30, 2023, there was approximately \$0.6 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans in the form of stock options. This cost is expected to be recognized

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

over a weighted-average period of 0.38 years. The total fair value of options vested during the fiscal years ended June 30, 2023, 2022 and 2021 is \$1.6 million, \$1.9 million and \$0.3 million, respectively. The following table summarizes information about stock options outstanding and exercisable as of June 30, 2023:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$22.27 - \$26.38	363,233	7.38	24.53	231,673	24.55
\$26.38 - \$30.49	119,021	7.40	27.14	79,744	27.14
\$30.49 - \$34.60	57,799	4.44	34.35	57,799	34.35
\$34.60 - \$38.71	207,169	2.83	37.71	207,169	37.71
\$38.71 - \$42.82	279,449	1.02	41.83	279,449	41.83
	1,026,671	4.57	\$ 32.76	855,834	\$ 34.28

The Company issues shares to satisfy the exercise of options.

Restricted Stock

Grants of Restricted Shares

During the fiscal year ended June 30, 2023, the Company granted 518,987 shares of restricted stock to employees and non-employee directors, all of which were issued in the form of RSUs:

	Fiscal Year Ended June 30, 2023			
	Shares granted	Date granted	Grant date fair value	Vesting period
<i>Employees</i>				
Certain employees based on performance	346,059	August 26, 2022	\$ 28.66	Annually over 4 years
Certain employees based on performance	58,323	August 26, 2022	\$ 28.66	Annually over 3 years
Certain employees based on performance	58,323	August 26, 2022	\$ 27.92	Annually over 3 years
Certain employees based on performance	815	December 1, 2022	\$ 30.70	Annually over 4 years
Certain employees based on hire	13,067	June 1, 2023	\$ 28.70	Annually over 4 years
<i>Non-Employee Directors</i>				
Certain Directors	42,400	August 26, 2022	\$ 28.66	12 months

A summary of the status of the Company's outstanding restricted stock is presented below:

	Fiscal Year Ended June 30, 2023	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding, beginning of year	639,342	\$ 32.04
Granted during the period	518,987	28.58
Vested during the period	(224,062)	30.56
Cancelled, forfeited, or expired during the period	(44,357)	31.29
Outstanding, end of year	889,910	\$ 30.43

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

As of June 30, 2023, there was approximately \$18.4 million of unrecognized compensation cost related to unvested performance units and restricted stock units granted, which is expected to be recognized over a weighted-average period of 1.31 years. The Company withheld 79,537 shares for income taxes during the fiscal year ended June 30, 2023.

(12) Employee Benefit Plans

The Company maintains defined contribution plans that cover all employees located in the United States that meet certain eligibility requirements and provides a matching contribution equal to 50% of each participant's contribution, up to a maximum of 6% of the participant's eligible compensation. Employer contributions are vested based upon tenure over a five-year period.

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Matching contributions	\$ 3,270	\$ 2,929	\$ 1,262

Internationally, the Company contributes to either plans required by local governments or to various employee annuity plans. Additionally, the Company maintains a non-qualified, unfunded deferred compensation plan that allows eligible members of management to defer a portion of their compensation in addition to receiving discretionary matching contributions from the Company. Employer contributions are vested over a five-year period.

(13) Income Taxes

As of the fiscal year ended June 30, 2023, the Company maintains the ability to access the earnings of foreign subsidiaries. The Company considered recording a deferred tax liability related to federal, state and withholding tax and determined that no liability should be recorded. There is no certainty as to the timing of the distributions of such earnings to the U.S. in whole or in part.

Income tax expense (benefit) consists of:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Current:			
Federal	\$ 25,034	\$ 16,895	\$ 9,132
State	6,455	5,238	1,261
Foreign	4,507	3,896	874
Total current	35,996	26,029	11,267
Deferred:			
Federal	(2,991)	3,429	207
State	(541)	129	(1,297)
Foreign	1,294	338	1,969
Total deferred	(2,238)	3,896	879
Provision for income taxes	\$ 33,758	\$ 29,925	\$ 12,146

A reconciliation is provided below of the U.S. Federal income tax expense for the fiscal years ended June 30, 2023, June 30, 2022 and June 30, 2021 with the applicable statutory rate of 21%.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
U.S. statutory rate	21.0 %	21.0 %	21.0 %
U.S. Federal income tax at statutory rate	\$ 25,588	\$ 24,911	\$ 12,082
Increase (decrease) in income taxes due to:			
State and local income taxes, net of Federal benefit	4,559	4,265	996
Tax credits	(909)	(796)	(170)
Valuation allowance	1,087	(200)	3,472
Effect of varying statutory rates in foreign operations, net	2,751	1,145	1,051
Stock compensation	37	(121)	1,094
Disallowed interest	—	—	86
Earnings from foreign subsidiaries	957	928	124
Losses on dispositions	—	—	(2,897)
Global intangible low taxed income tax	1,551	630	(45)
Nontaxable income	(3,189)	(2,050)	(1,628)
Notional interest deduction on net equity	(733)	(780)	(568)
Other	2,059	1,993	(1,451)
Provision for income taxes	<u>\$ 33,758</u>	<u>\$ 29,925</u>	<u>\$ 12,146</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

	June 30,	
	2023	2022
	<i>(in thousands)</i>	
Deferred tax assets derived from:		
Allowance for accounts receivable	\$ 5,811	\$ 3,630
Inventories	3,326	3,510
Nondeductible accrued expenses	7,561	7,859
Net operating loss carryforwards	596	705
Tax credits	8,430	6,410
Deferred compensation	7,173	6,548
Stock compensation	4,718	4,001
Capital loss carryforwards	7,348	7,831
Timing of amortization deduction from intangible assets	6,170	5,676
Total deferred tax assets	<u>51,133</u>	<u>46,170</u>
Valuation allowance	(14,397)	(13,181)
Total deferred tax assets, net of allowance	<u>36,736</u>	<u>32,989</u>
Deferred tax liabilities derived from:		
Timing of depreciation and other deductions from building and equipment	(1,533)	(3,035)
Timing of amortization deduction from goodwill	(10,886)	(5,693)
Timing of amortization deduction from intangible assets	(10,369)	(11,737)
Total deferred tax liabilities	<u>(22,788)</u>	<u>(20,465)</u>
Net deferred tax assets	<u>\$ 13,948</u>	<u>\$ 12,524</u>

The components of pretax earnings are as follows:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Domestic	\$ 94,994	\$ 93,586	\$ 39,511
Foreign	26,856	25,037	18,024
Worldwide pretax earnings	<u>\$ 121,850</u>	<u>\$ 118,623</u>	<u>\$ 57,535</u>

As of June 30, 2023, there were (i) gross net operating loss carryforwards of approximately \$1.3 million for U.S. federal income tax purposes; (ii) gross state net operating loss carryforwards of approximately \$1.5 million; (iii) foreign gross net operating loss carryforwards of approximately \$1.1 million; (iv) state income tax credit carryforwards of approximately \$3.0 million that began to expire in the 2022 tax year; (v) withholding tax credits of approximately \$5.0 million; (vi) foreign tax credits of \$1.0 million, and (vii) gross capital loss carryovers of \$29.2 million. The Company maintains a valuation allowance of \$0.1 million for U.S. federal net operating losses, \$7.3 million for capital loss carryforwards, \$0.2 million for foreign net operating losses, a less than \$0.1 million valuation allowance for state net operating losses, a \$5.1 million valuation allowance for withholding tax credits, a \$1.0 million valuation allowance for foreign tax credits, and a \$0.6 million valuation allowance for state income tax credits, where it was determined that, in accordance with ASC 740, it is more likely than not that they cannot be utilized.

The Company recognizes excess tax benefits and tax deficiencies as income tax expense or benefit for stock award settlements in accordance with ASU 2016-09. The Company recognized net tax benefit of less than \$0.1 million for the fiscal year ended June 30, 2023, net tax benefit of \$0.3 million for the fiscal year ended June 30, 2022 and net tax expense of \$1.1 million for the fiscal year ended June 30, 2021.

As of June 30, 2023, the Company had gross unrecognized tax benefits of \$1.2 million, \$0.9 million of which, if recognized, would affect the effective tax rate. This reflects an increase of less than \$0.1 million on a gross basis over the prior fiscal year. The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying Consolidated Income Statement. Accrued interest and penalties are included within the related tax liability line in the Consolidated Balance Sheet. The total amount of interest and penalties accrued, but excluded from the table below, were \$1.2 million, \$1.2 million and \$1.1 million for the fiscal years ended June 30, 2023, 2022 and 2021, respectively. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Beginning Balance	\$ 1,065	\$ 1,121	\$ 1,156
Additions based on tax positions related to the current year	123	139	68
Reduction for tax positions of prior years	(16)	(195)	(103)
Ending Balance	<u>\$ 1,172</u>	<u>\$ 1,065</u>	<u>\$ 1,121</u>

A court ruling issued in Brazil in June 2023 confirmed that Brazilian state-provided tax benefits are not subject to income tax. The Company recorded, discrete to the June 30, 2023 quarter, an income tax benefit of \$2.2 million related to the confirmation of the recovery of state-provided tax benefits.

Subsequent to the 2023 fiscal year-end, the IRS issued Notice 2023-55 which provides taxpayers with Brazilian subsidiaries temporary relief from the final foreign tax credit regulations. This Notice will apply to the Company's fiscal year ended June 30, 2023 and the resulting tax benefit of approximately \$1.5 million will be recognized as a discrete item in the first quarter of the June 30, 2024 fiscal year.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

The Company conducts business globally and, as a result, one or more of its subsidiaries files income tax returns in the United States federal, various state, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in countries in which it operates. With certain exceptions, the Company is no longer subject to state and local, or non-United States income tax examinations by tax authorities for tax years before June 30, 2018.

(14) Leases

In accordance with ASC 842, *Leases*, 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 through fiscal year 2027. 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 June 30, 2023 and 2022.

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 June 30, 2023 and 2022:

Operating leases	Balance Sheet location	June 30, 2023		June 30, 2022	
		<i>(in thousands)</i>			
Operating lease right-of-use assets	Other non-current assets	\$	12,539	\$	16,217
Current operating lease liabilities	Accrued expenses and other current liabilities		4,355		4,499
Long-term operating lease liabilities	Other long-term liabilities		9,329		13,085

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 fiscal years ended June 30, 2023, 2022 and 2021. Operating lease costs contain immaterial amounts of short-term lease costs for leases with an initial term of 12 months or less.

	Fiscal year ended June 30,		
	2023	2022	2021
<i>(in thousands)</i>			
Operating lease cost	\$ 5,224	\$ 5,239	\$ 5,256
Variable lease cost	1,460	1,208	1,068
	<u>\$ 6,684</u>	<u>\$ 6,447</u>	<u>\$ 6,324</u>

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

Supplemental cash flow information related to the Company's operating leases for the fiscal years ended June 30, 2023, 2022 and 2021 are presented in the table below:

	Fiscal year ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Cash paid for amounts in the measurement of lease liabilities	\$ 5,463	\$ 5,182	\$ 5,456
Right-of-use assets obtained in exchange for lease obligations	897	2,313	—

The weighted-average remaining lease term and discount rate at June 30, 2023 and 2022 are presented in the table below:

	June 30, 2023	June 30, 2022
Weighted-average remaining lease term	3.62	4.37
Weighted-average discount rate	4.30 %	3.98 %

The following table presents the maturities of the Company's operating lease liabilities at June 30, 2023:

	Operating leases
	<i>(in thousands)</i>
2024	\$ 4,836
2025	3,577
2026	3,038
2027	2,678
2028	632
Thereafter	—
Total future payments	14,761
Less: amounts representing interest	1,077
Present value of lease payments	\$ 13,684

(15) Commitments and Contingencies

A majority of the Company's net revenues in fiscal years 2023, 2022 and 2021 were received from the sale of products purchased from the Company's ten largest suppliers. The Company has entered into written agreements with substantially all of its major suppliers. While the Company's agreements with most of its suppliers contain standard provisions for periodic renewals, these agreements generally permit termination by either party without cause upon 30 to 120 days' notice.

The Company or 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 and results of operations.

Capital Projects

The Company expects total capital expenditures to range from \$6.0 million to \$8.0 million during fiscal year 2024 primarily for IT investments and facility improvements.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

Pre-Acquisition Contingencies

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. There were no deposits into the escrow account and \$1.2 million was released from the escrow account during the fiscal year ended June 30, 2023. There were no deposits into, or releases from the escrow account during the fiscal year ended June 30, 2022. The amount available after the impact of foreign currency translation, as of June 30, 2023 and 2022, for future pre-acquisition contingency settlements or to be released to the sellers was \$3.4 million and \$4.1 million, 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 consolidated balance sheet:

	June 30, 2023	June 30, 2022
	<i>(in thousands)</i>	
Assets		
Prepaid expenses and other assets (current)	\$ 16	\$ 15
Other assets (noncurrent)	\$ 4,150	\$ 3,818
Liabilities		
Other current liabilities	\$ 16	\$ 15
Other long-term liabilities	\$ 4,150	\$ 3,818

The amount of reasonably possible undiscounted pre-acquisition contingencies as of June 30, 2023 is estimated to range from \$4.2 million to \$16.9 million at this time, of which all exposures are indemnifiable under the share purchase agreement.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

(16) 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 technology type.

Specialty Technology Solutions Segment

The Specialty Technology Solutions segment includes the Company's business in mobility and barcode, POS, payments, security and networking technologies. Mobility and barcode solutions include mobile computing, barcode scanners and imagers, radio frequency identification devices, barcode printing and related services. POS and payments solutions include POS systems, integrated POS software platforms, self-service kiosks including self-checkout, payment terminals and mobile payment devices. Security solutions include video surveillance and analytics, video management software and access control. Networking solutions include switching, routing and wireless products and software. The Company has business operations within this segment in the United States, Canada and Brazil.

Modern Communications & Cloud Segment

The Modern Communications & Cloud segment includes the Company's business in communications and collaboration, connectivity and cloud services. Communications and collaboration solutions, delivered in the cloud, on-premise or hybrid, include voice, video, integration of communication platforms and contact center solutions. The Intelisys connectivity and cloud marketplace offers telecom, cable, Unified Communications as a Service ("UCaaS"), Contact Center as a Service ("CCaaS"), Infrastructure as a Service, Software-Defined Wide-Area Network and other cloud services. This segment includes SaaS and subscription services, which the Company offers using digital tools and platforms. The Company has business operations within this segment in the United States, Canada, Brazil and the UK.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

Selected financial information for each business segment is presented below:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Sales:			
Specialty Technology Solutions	\$ 2,331,030	\$ 2,082,321	\$ 1,815,933
Modern Communications & Cloud	1,456,691	1,447,614	1,334,873
	<u>\$ 3,787,721</u>	<u>\$ 3,529,935</u>	<u>\$ 3,150,806</u>
Depreciation and amortization:			
Specialty Technology Solutions	\$ 10,838	\$ 11,754	\$ 13,193
Modern Communications & Cloud	14,901	15,110	17,287
Corporate	2,875	3,020	3,027
	<u>\$ 28,614</u>	<u>\$ 29,884</u>	<u>\$ 33,507</u>
Change in fair value of contingent consideration:			
Specialty Technology Solutions	\$ —	\$ —	\$ —
Modern Communications & Cloud	—	—	516
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 516</u>
Operating income:			
Specialty Technology Solutions	\$ 75,688	\$ 66,686	\$ 29,566
Modern Communications & Cloud	61,658	55,511	43,551
Corporate ⁽¹⁾	(1,460)	(30)	(11,634)
	<u>\$ 135,886</u>	<u>\$ 122,167</u>	<u>\$ 61,483</u>
Capital expenditures:			
Specialty Technology Solutions	\$ (3,966)	\$ (1,667)	\$ (1,282)
Modern Communications & Cloud	(6,013)	(5,182)	(1,067)
Corporate	—	—	(14)
	<u>\$ (9,979)</u>	<u>\$ (6,849)</u>	<u>\$ (2,363)</u>
Sales by Geography Category:			
United States	\$ 3,443,561	\$ 3,178,829	\$ 2,854,179
International	355,647	356,241	310,075
Less intercompany sales	(11,487)	(5,135)	(13,448)
	<u>\$ 3,787,721</u>	<u>\$ 3,529,935</u>	<u>\$ 3,150,806</u>

⁽¹⁾ For the year ended June 30, 2023, the amounts shown above include cyberattack restoration costs. For the year ended June 30, 2022, the amounts shown above include divestiture costs. For the year ended June 30, 2021, the amounts shown above include acquisition, divestiture, and restructuring.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	June 30, 2023	June 30, 2022
	<i>(in thousands)</i>	
Assets:		
Specialty Technology Solutions	\$ 1,104,103	\$ 1,030,538
Modern Communications & Cloud	964,066	906,890
Corporate	—	—
	<u>\$ 2,068,169</u>	<u>\$ 1,937,428</u>
Property and equipment, net by Geography Category:		
United States	\$ 27,323	\$ 32,715
International	10,056	4,762
	<u>\$ 37,379</u>	<u>\$ 37,477</u>

(17) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive loss, net of tax, are as follows:

	Fiscal Years Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Currency translation adjustment	\$ (93,136)	\$ (105,899)	\$ (93,561)
Unrealized loss on fair value of interest rate swap, net of tax	3,515	1,261	(4,572)
Accumulated other comprehensive loss	<u>\$ (89,621)</u>	<u>\$ (104,638)</u>	<u>\$ (98,133)</u>

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

	Fiscal years ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Tax expense	<u>\$ 737</u>	<u>\$ 1,741</u>	<u>\$ 2,084</u>

(18) 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, (the "Divestitures"), as these businesses were performing below management's expectations. The Company continues 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 Specialty Technology Solutions and Modern Communications & Cloud segments.

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 businesses on November 12, 2020. Total cash received for the sale of the Divestitures was \$39.2 million.

During the fiscal year ended June 30, 2021, the Company recorded a pre-tax loss on disposal group of \$34.5 million, which was primarily attributable to a reduction in the net proceeds realized at closing for the Divestitures. The Company received cash for the sale of Divestitures totaling \$34.4 million during the fiscal year ended June 30, 2021.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

During the fiscal year ended June 30, 2022, the Company received a second payment of \$3.1 million for its businesses in Latin America, outside of Brazil, related to working capital adjustments and in accordance with the Share Purchase Agreement between Intcomex and the Company. The receipt of payment resulted in a gain on disposal group of \$0.1 million.

During the fiscal year ended June 30, 2023, the Company received a third payment related to a tax settlement of \$1.7 million for its businesses in Latin America, outside of Brazil. The receipt of payment resulted in a gain on disposal group of \$1.7 million.

Major components of net loss from discontinued operations for the years ended June 30, 2023, 2022 and 2021 were as follows:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Net sales	\$ —	\$ —	\$ 213,373
Cost of goods sold	—	—	198,512
Gross profit	—	—	14,861
Selling, general and administrative expenses	—	—	17,291
Operating loss	—	—	(2,430)
Interest expense, net	—	—	394
(Gain) loss on held for sale classification	(1,717)	(100)	34,597
Other expense, net	—	—	310
Income (loss) from discontinued operations before taxes	1,717	100	(37,731)
Income tax (benefit) expense	—	—	(3,137)
Net income (loss) from discontinued operations	<u>\$ 1,717</u>	<u>\$ 100</u>	<u>\$ (34,594)</u>

Significant non-cash operating items and capital expenditures reflected in the cash flows from discontinued operations for the fiscal years ended June 30, 2023, 2022 and 2021 were as follows:

	Fiscal Year Ended June 30,		
	2023	2022	2021
	<i>(in thousands)</i>		
Loss on held for sale classification	\$ —	\$ —	\$ 34,597
Capital expenditures	—	—	(58)

(19) 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. The Company also closed its Canpango business, a Salesforce implementation and consulting business. There has been limited adoption by the Company's partner community of the services Canpango offers. These actions included entering into severance and termination agreements with employees, legal fees to execute the reduction in force and costs associated with lease terminations.

There were no restructuring or severance costs incurred during the fiscal years ended June 30, 2023 or 2022. The following table presents the restructuring and severance costs incurred for the fiscal year ended June 30, 2021:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2023

	Fiscal year ended June 30,
	2021
	<i>(in thousands)</i>
Severance and benefit costs	\$ 8,824
Other	434
Total restructuring and other charges	\$ 9,258

For the fiscal year ended June 30, 2021, all restructuring costs are recognized in the Corporate reporting unit and have not been allocated to the Modern Communications & Cloud or Specialty Technology Solutions segment.

There were no accrued restructuring and severance costs as of June 30, 2023.

ITEM 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply judgment in evaluating the cost-benefit relationship of those disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Our disclosure controls and procedures are designed to provide reasonable assurance that the controls and procedures will meet their objectives.

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as of June 30, 2023, were effective in providing reasonable assurance that the objectives of the disclosure controls and procedures are met.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2023. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *2013 Internal Control – Integrated Framework*. Based on its assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of June 30, 2023.

The effectiveness of our internal control over financial reporting as of June 30, 2023 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Certified Public Accounting Firm on Internal Control Over Financial Reporting which is included with the Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K and is incorporated herein by reference.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal year ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information.

During the three months ended June 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Information called for by Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K has been omitted as we intend to file with the SEC not later than 120 days after the end of our fiscal year ended June 30, 2023, an amendment to this Form 10-K or a definitive Proxy Statement relating to the 2024 Annual Meeting pursuant to Regulation 14A promulgated under the Exchange Act (the "Part III Filing"). Such information will be set forth in such Part III Filing and is incorporated herein by reference.

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information required to be included by Item 10 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 11. Executive Compensation.

The information required to be included by Item 11 of the Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required to be included by Item 12 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information required to be included by Item 13 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

ITEM 14. Principal Accountant Fees and Services.

The information required to be included by Item 14 of Form 10-K will be included in our Part III Filing and such information is incorporated by reference herein.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a)(1) *Financial Statements*. For a list of the financial statements included in this Annual Report on Form 10-K, see "Index to Financial Statements" included herein.

(a)(2) *Financial Statement Schedules*. See Schedule II – "Valuation and Qualifying Accounts," which appears below.

(a)(3) *Exhibits*. The list of exhibits filed as a part of this Annual Report on Form 10-K is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated by reference in this Item 15(a)(3).

(b) *Exhibits*. See Exhibit Index.

(c) *Separate Financial Statements and Schedules*. None.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: August 22, 2023

By: /s/ MICHAEL L. BAUR

Michael L. Baur

Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MICHAEL L. BAUR</u> Michael L. Baur	Chairman and Chief Executive Officer (Principal Executive Officer)	August 22, 2023
<u>/s/ STEVE JONES</u> Steve Jones	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)	August 22, 2023
<u>/s/ BRANDY FORD</u> Brandy Ford	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	August 22, 2023
<u>/s/ PETER C. BROWNING</u> Peter C. Browning	Lead Independent Director	August 22, 2023
<u>/s/ FRANK E. EMORY, JR.</u> Frank E. Emory, Jr.	Director	August 22, 2023
<u>/s/ CHARLES A. MATHIS</u> Charles A. Mathis	Director	August 22, 2023
<u>/s/ DOROTHY F. RAMONEDA</u> Dorothy F. Ramoneda	Director	August 22, 2023
<u>/s/ JEFFREY R. RODEK</u> Jeffrey R. Rodek	Director	August 22, 2023
<u>/s/ ELIZABETH O. TEMPLE</u> Elizabeth O. Temple	Director	August 22, 2023
<u>/s/ CHARLES R. WHITCHURCH</u> Charles R. Whitchurch	Director	August 22, 2023

Exhibit Index

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
2.1	Letter Agreement between Registrant and Intersmart Comércio ImportaçãoExportação de Equipamentos Eletrônicos, S.A., dated August 14, 2014		8-K	10.1	8/15/2014
2.2	Share Purchase and Sale Agreement for Global Data Network LLP dated January 8, 2015		10-Q	2.1	2/3/2015
2.3	Sale and Purchase Agreement, dated November 12, 2020, by and among ScanSource Europe C.V. and SSE Services Holdings, LLC		8-K	2.1	11/13/2020
3.1	Second Amended and Restated Articles of Incorporation and Articles of Amendment		8-K	3.1	1/27/2022
3.2	Amended and Restated Bylaws		8-K	3.2	1/27/2022
4.1	Form of Common Stock Certificate		SB-2	4.1	2/7/1994
4.2	Description of Securities		10-K	4.2	8/22/2019
	Executive Compensation Plans and Arrangements				
10.1	ScanSource, Inc. Nonqualified Deferred Compensation Plan, as Amended and Restated Effective January 1, 2021		10-Q	10.3	5/10/2021
10.2	2013 Long-Term Incentive Plan		S-8	99	12/5/2013
10.3	ScanSource, Inc. 2021 Omnibus Incentive Compensation Plan	X			
10.4	Employee Stock Purchase Plan		S-8	99	12/5/2013
10.5	Founder's Supplemental Executive Retirement Plan Agreement		10-Q	10.2	5/6/2011
10.6	Executive Severance Plan		8-K	10.3	6/21/2017
10.7	ScanSource, Inc. Management Incentive Plan	X			
10.8	Form of Restricted Stock Unit Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.1	2/6/2014
10.9	Form of Director Restricted Stock Unit Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.2	2/6/2014
10.10	Form of Incentive Stock Option Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.3	2/6/2014
10.11	Form of Non-Qualified Stock Option Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.4	2/6/2014
10.12	Form of Other Stock Based Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan		10-K	10.33	8/28/2014
10.13	Form of Performance and Service - Based Restricted Stock Unit Award Certificate under ScanSource Inc. 2013 Long-Term Incentive Plan		10-K	10.34	8/28/2014
10.14	Form of Restricted Stock Unit Award (Performance and Service-Based) under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.1	12/8/2017
10.15	Form of Restricted Stock Unit Award (Service-Based) under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.2	12/8/2017

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
10.16	Form of Non-Qualified Stock Option Agreement under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.3	12/8/2017
10.17	Form of Incentive Stock Option Agreement under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.4	12/8/2017
10.18	Amended and Restated Employment Agreement, effective as of July 1, 2017, of Michael L. Baur		8-K	10.1	6/21/2017
10.19	Employment Letter, dated September 17, 2019 of John Eldh		10-K	10.26	8/24/2021
10.20	Severance Plan for John C. Eldh		10-K	10.27	8/24/2021
10.21	Employment Letter, dated November 16, 2020, of Stephen Jones		10-Q	10.1	2/2/2021
10.22	Employment Letter, dated May 6, 2021 of Rachel Hayden		10-K	10.29	8/24/2021
10.23	ScanSource, Inc. 2022 Board of Directors Compensation Program		10-K	10.28	8/23/2022
10.24	First Amendment to Nonqualified Deferred Compensation Plan		8-K	10.1	11/30/2018
10.25	Form of Director Restricted Stock Award Certificate for grants on or after January 1, 2019 under the ScanSource, Inc. 2013 Long-Term Incentive Plan		8-K	10.2	11/30/2018
10.26	Form of Director Restricted Stock Unit Certificate for grants on or after January 1, 2019 under the ScanSource, Inc. 2013 Long-Term Incentive Plan		8-K	10.3	11/30/2018
10.27	Form of Director Restricted Stock Award Certificate under the ScanSource, Inc. 2013 Long-Term Incentive Plan		8-K	10.4	11/30/2018
10.28	Form of Restricted Stock Unit Award Certificate under the ScanSource, Inc. 2013 Long-Term Incentive Plan		8-K	10.5	11/30/2018
10.29	Form of Restricted Stock Unit Award Certificate under the ScanSource, Inc. 2013 Long-Term Incentive Plan		8-K	10.1	1/30/2020
10.30	Form of Restricted Stock Unit Award Certificate under the ScanSource, Inc. 2013 Long-Term Incentive Plan		10-K/A	10.37	10/26/2021
10.31	Form of Restricted Stock Unit Award Certificate under the ScanSource, Inc. 2013 Long-Term Incentive Plan		10-K	10.38	8/24/2021
10.32	Form of Employee Restricted Stock Award Certificate under the 2021 Omnibus Incentive Compensation Plan		8-K	10.2	1/27/2022
10.33	Form of Director Restricted Stock Award Certificate under the 2021 Omnibus Incentive Compensation Plan		8-K	10.3	1/27/2022
10.34	Form of Restricted Stock Award Certificate (Service-Based) under the 2021 Omnibus Incentive Compensation Plan		8-K	10.4	1/27/2022
10.35	Form of Director Restricted Stock Award Certificate (Service-Based) under the 2021 Omnibus Incentive Compensation Plan		8-K	10.5	1/27/2022
10.36	Form of Employee Restricted Stock Award Certificate (Performance and Service-Based) under the 2021 Omnibus Incentive Compensation Plan		8-K	10.6	1/27/2022
10.37	Form of Incentive Stock Option Award Certificate under the 2021 Omnibus Incentive Compensation Plan		8-K	10.7	1/27/2022

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
10.38	Form of Non-Qualified Stock Option Award Certificate under the 2021 Omnibus Incentive Compensation Plan		8-K	10.8	1/27/2022
10.39	Form of Director Stock Award Certificate (Stock) under the 2021 Omnibus Incentive Compensation Plan		8-K	10.9	1/27/2022
	Bank Agreements				
10.40	Third Amended and Restated Credit Agreement		8-K	10.1	9/29/2022
	Other Agreements				
10.41	+ Industrial Lease Agreement dated April 27, 2007 between Registrant and Industrial Developments International, Inc.		10-K	10.40	8/24/2021
10.42	+ Third Amendment to Industrial Lease Agreement between Registrant and Industrial Developments International, Inc.		10-K	10.41	8/24/2021
10.43	Fourth Amendment to Industrial Lease Agreement		10-Q	10.1	5/9/2019
10.44	+ Nonexclusive Value Added Distributor Agreement between ScanSource, Inc. and Cisco Systems, Inc.		10-K	10.38	8/22/2019
10.45	+ Amendment No. 3 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.39	8/22/2019
10.46	+ Amendment No. 5 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.40	8/22/2019
10.47	+ Amendment No. 6 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.41	8/22/2019
10.48	+ Amendment No. 7 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.42	8/22/2019
10.49	+ Amendment No. 9 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.43	8/22/2019
10.50	+ Amendment No. 11 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.44	8/22/2019
10.51	+ Amendment No. 12 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.45	8/22/2019
10.52	+ Amendment No. 13 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.46	8/22/2019
10.53	+ Amendment No. 14 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.47	8/22/2019
10.54	+ Amendment No. 16 to Cisco Nonexclusive Value Added Distributor Agreement		10-Q	10.1	5/10/2021
10.55	+ Amendment No. 17 to Cisco Nonexclusive Value Added Distributor Agreement		10-Q	10.2	5/10/2021
10.56	+ Amendment No. 18 to the Nonexclusive Value Added Distributor Agreement		10-Q	10.1	5/09/2023
10.57	+ Amendment No. 19 to the Nonexclusive Value Added Distributor Agreement		10-Q	10.2	5/09/2023
10.58	+ Amendment No. 20 to the Nonexclusive Value Added Distributor Agreement	X			
10.59	+ Amendment No. 21 to the Nonexclusive Value Added Distributor Agreement	X			
10.60	+ Addendum to Cisco Nonexclusive Value Added Distributor Agreement dated March 25, 2019		10-K	10.48	8/22/2019
10.61	+ Addendum to Cisco Nonexclusive Value Added Distributor Agreement dated March 2, 2015		10-K	10.49	8/22/2019
10.62	+ Affiliate Agreement under Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.50	8/22/2019
10.63	+ Distribution Agreement with US Motorola (f/k/a Symbol Technologies, Inc.)		10-K	10.58	8/24/2021
10.64	+ Amendment to PartnerEmpower Distribution Agreement with Zebra		10-K	10.59	8/24/2021

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
10.65	Participation Agreement Relating to Distribution Agreement with Zebra		10-K	10.51	8/29/2016
10.66	+ Amendment to PartnerConnect EVM Distributor Agreement		10-K	10.61	8/24/2021
10.67	+ Addendum to Zebra PartnerConnect Distributor Agreement		10-Q	10.2	5/9/2019
10.68	Letter of Agreement to PartnerConnect EVM Distributor Agreement		10-K	10.55	8/31/2020
10.69	Addendum to Zebra PartnerConnect EVM Distributor Agreement		10-K	10.64	8/24/2021
21.1	Subsidiaries of the Company	X			
23.1	Consent of Grant Thornton LLP	X			
31.1	Certification of the Chief Executive Officer	X			
31.2	Certification of the Chief Financial Officer	X			
32.1	Certification of the Chief Executive Officer	X			
32.2	Certification of the Chief Financial Officer	X			
	The following materials from our Annual Report on Form 10-K for the year ended June 30, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 30, 2023 and June 30, 2022, (ii) the Consolidated Income Statements for the years ended June 30, 2023, June 30, 2022 and June 30, 2021, (iii) the Consolidated Statements of Shareholders' Equity for the years ended June 30, 2023, June 30, 2022 and June 30, 2021, (iv) the Consolidated Statements of Cash Flows for the years ended June 30, 2023, June 30, 2022 and June 30, 2021, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text. The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				
101		X			
104	Cover page Inline XBRL File (Included in Exhibit 101)	X			

+ Portions of this exhibit have been omitted pursuant to Item 601(b) of Regulation S-K.

Our SEC file number for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 000-26926.

SCANSOURCE, INC. 2021 OMNIBUS INCENTIVE COMPENSATION PLAN

Article 1 Effective Date, Objectives and Duration

1.1 Adoption of the Plan. The Board of Directors of ScanSource, Inc., a South Carolina corporation (the “Company”), adopted the 2021 Omnibus Incentive Compensation Plan (the “Plan”) on November 4, 2021 (the “Effective Date”), subject to approval by the stockholders of the Company within twelve (12) months after the Board’s adoption of the Plan. Awards, other than Restricted Shares, may be granted on and after the Effective Date; but, no such Awards may be exercised, vested, paid or otherwise settled, or any Shares issued with respect thereto, unless and until the stockholders of the Company approve the Plan within the twelve (12) months after the Board’s adoption of the Plan. Restricted Shares may only be granted if and after the stockholders of the Company approve the Plan.

1.2 Objective of the Plan. The Plan is intended to attract and retain highly qualified persons to serve as employees, consultants and non-employee directors and promote ownership by such employees, consultants and non-employee directors of a greater proprietary interest in the Company, thereby aligning their interests more closely with the interests of the Company’s stockholders.

1.3 Duration of the Plan. The Plan commenced on the date of adoption of the Plan by the Board, subject to approval by the stockholders of the Company within the twelve (12) months after the Board’s adoption of the Plan. If the stockholders of the Company so approve the Plan, the Plan shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to Article 17 hereof, until the earlier of 11:59 p.m. (ET) on November 3, 2031, or the date all Shares subject to the Plan shall have been issued and the restrictions on all Restricted Shares granted under the Plan shall have lapsed, according to the Plan’s provisions.

Article 2 Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below:

2.1 “409A Award” has the meaning set forth in Section 15.1.

2.2 “5% Exception Limit” has the meaning set forth in Section 5.3.

2.3 “\$100,000 Limit” has the meaning set forth in Section 6.4(d).

2.4 “Acquired Entity” has the meaning set forth in Section 5.6(b).

2.5 “Acquired Entity Awards” has the meaning set forth in Section 5.6(b).

2.6 “Affiliate” means any corporation, trade or business or other entity, including but not limited to partnerships, limited liability companies and joint ventures, directly or indirectly controlling, controlled by or under common control with the Company, within the meaning of Section 405 of the Securities Act. Affiliate includes any corporation, trade or business or other entity that becomes such on or after the Effective Date.

2.7 “Applicable Law” means U.S. federal, state and local laws applicable to the Company, any legal or regulatory requirement relating to the Plan, Awards and/or Shares under applicable U.S. federal, state and local laws, the requirements of Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted, the Code, and the applicable laws, rules, regulations and requirements of any other country or jurisdiction where Awards are or are to be granted, exercised, vested or settled, as such laws, rules, regulations and requirements shall be in place from time to time.

2.8 “Articles of Incorporation” means the Company’s Amended and Restated Articles of Incorporation, as amended and/or restated from time to time.

2.9 “Award” means Options (including Non-Qualified Options and Incentive Stock Options), SARs, Restricted Shares, Performance Units (which may be paid in cash), Performance Shares, Deferred Stock, Restricted Stock Units, Dividend Equivalents and Other Stock-Based Awards granted under the Plan.

2.10 “Award Agreement” means a written agreement entered into by the Company and a Grantee setting forth the terms and provisions applicable to an Award granted under this Plan, including any amendment or modification thereof. The Committee may provide for the use of electronic, internet or other non-paper Award Agreements and the use of electronic, internet or other non-paper means for the acceptance thereof and actions thereunder by the Grantee.

2.11 “Beneficiary” means one or more persons or entities that become entitled to receive any amount payable under this Plan after the Grantee’s death. The Grantee’s Beneficiary is the Grantee’s surviving spouse, unless the Grantee designates one or more persons or entities to be the Grantee’s Beneficiary. The Grantee may make, change or revoke a Beneficiary designation at any time before his or her death without the consent of the Grantee’s spouse or anyone the Grantee previously named as a Beneficiary, and the Grantee may designate primary and secondary Beneficiaries. A Beneficiary designation must comply with procedures established by the Committee and must be received by the Committee before the Grantee’s death. If the Grantee dies without a valid Beneficiary designation (as determined by the Committee), and the Grantee has no surviving spouse, the Beneficiary shall be the Grantee’s estate.

2.12 “Board” means the Board of Directors of the Company.

2.13 “Business Combination” has the meaning set forth in Section 2.19(a).

2.14 “Bylaws” means the Company’s Amended and Restated Bylaws, as amended and/or restated from time to time.

2.15 “Cause” shall have the same definition as under any employment or service agreement between the Company or any Affiliate and the Grantee or, if no such employment or service agreement exists or if such employment or service agreement does not contain any such definition or words of similar import, “Cause” means, except as otherwise set forth in the Award Agreement, (i) the Grantee’s act or failure to act

amounting to gross negligence or willful misconduct to the detriment of the Company or any Affiliate; (ii) the Grantee's dishonesty, fraud, theft or embezzlement of funds or properties in the course of Grantee's employment; (iii) the Grantee's commission of, indictment for, or pleading guilty or confessing to any felony; (iv) the Grantee's gross neglect of, or prolonged absence from (other than due to Disability and without the written consent of the Company or an Affiliate), Grantee's duties, (v) the Grantee's refusal to comply with any lawful directive or policy of the Company or any Affiliate, which refusal is not cured by the Grantee within ten (10) days of such written notice from the Company or Affiliate, (vi) a material breach by the Grantee of any fiduciary duty owed to the Company or any Affiliate, (vii) the Grantee intentionally engaging in any activity that is in conflict with or adverse to the reputation, business or other interests of the Company or any Affiliate or that is reasonably determined to be detrimental to the reputation, business or other interests of the Company or any Affiliate, or (viii) the Grantee's breach of any restrictive covenant or other agreement with the Company or any Affiliate, including but not limited to, confidentiality covenants, covenants not to compete, non-solicitation covenants and non-disclosure covenants. For purposes of the Plan, the Grantee's resignation without the Company's or an Affiliate's written consent in anticipation of termination of employment for Cause shall constitute a termination of employment for Cause.

2.16 "CEO" means the Chief Executive Officer of the Company.

2.17 "Change in Control" shall be deemed to have occurred upon the first occurrence of an event set forth in any one of the following paragraphs:

(a) The accumulation in any number of related or unrelated transactions (other than an offering of Shares to the general public through a registration statement filed with the Securities and Exchange Commission) by any Person of beneficial ownership (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Company's voting stock; provided that, for purposes of this subsection (a), a Change in Control will not be deemed to have occurred if the accumulation of more than fifty percent (50%) of the combined voting power of the Company's voting stock results from any acquisition of voting stock (i) by the Company or any Affiliate, (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, (iii) by any Person that, prior to the transaction, directly or indirectly, controls, is controlled by, or is under common control with, the Company, or (iv) by any Person pursuant to a merger, consolidation or reorganization involving the Company (a "Business Combination") that would not cause a Change in Control under subsection (b) below; or

(b) Consummation of a Business Combination, unless, immediately following that Business Combination, (i) all or substantially all of the Persons who were the beneficial owners of voting stock of the Company immediately prior to that Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the combined voting power of the Company's voting stock resulting from that Business Combination (including, without limitation, an entity

that as a result of that transaction owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to that Business Combination, of the voting stock of the Company and (ii) no Person has beneficial ownership of fifty percent (50%) or more of the combined voting power of the Company's voting stock (including any entity that as the result of that transaction owns the Company or all or substantially all of, the Company's assets either directly or through one or more subsidiaries); or

(c) During any twelve (12)-month period, Incumbent Board Members cease to constitute a majority of the Board; or

(d) A sale or other disposition of all or substantially all of the assets of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (b) above; or

(e) A complete liquidation or dissolution of the Company, except pursuant to a Business Combination that would not cause a Change in Control under subsection (b) above.

Notwithstanding the foregoing, in the case of any Award that constitutes deferred compensation within the meaning of Section 409A of the Code, there shall not be a Change in Control unless there is a change in the ownership or effective control of the Company, or in a substantial portion of the assets of the Company, within the meaning of Section 409A of the Code where necessary for such Award to comply with Section 409A of the Code.

2.18 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.19 "Committee" has the meaning set forth in Section 3.1(a).

2.20 "Company," means ScanSource, Inc., a South Carolina corporation, and any successor thereto by operation of law or otherwise.

2.21 "Compensation Committee" means the compensation committee of the Board.

2.22 "Corporate Transaction" has the meaning set forth in Section 4.2(b).

2.23 "Current Grant" has the meaning set forth in Section 6.4(d).

2.24 "Data" has the meaning set forth in Section 18.22.

2.25 "Deferred Stock" means a right, granted under Article 9, to receive Shares at the end of a specified deferral period.

2.26 "Disability" or "Disabled" means, unless otherwise defined in an Award Agreement, or as otherwise determined under procedures established by the Committee for purposes of the Plan:

(a) Except as provided in (b) or (c) below, disability or disabled means, for any Grantee, any injury, illness or sickness that qualifies as a long-term disability within the meaning of the Company's long-term disability program ("LTD Program") and on account of which such Grantee is entitled to receive LTD Program benefits;

(b) In the case of an Incentive Stock Option or an Award granted in tandem with an Incentive Stock Option, disability and disabled has the meaning under Section 22(e)(3) of the Code; and

(c) In the case of any Award that constitutes deferred compensation within the meaning of Section 409A of the Code, disability and disabled means as defined in regulations under Code Section 409A where necessary for such Award to comply with Section 409A of the Code. For purpose of Code Section 409A, a Grantee will be considered to have incurred a Disability or to be Disabled if: (i) the Grantee 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, or (ii) the Grantee 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 the Grantee's employer.

2.27 "Disqualifying Disposition" has the meaning set forth in Section 6.4(f).

2.28 "Dividend Equivalent" means a right to receive cash or Shares equal to any dividends or distributions paid on Shares, if and when paid or distributed, on a specified number of Shares, which dividends have a record date on or after the date of grant of the Dividend Equivalents or related Award and before the date Dividend Equivalents or related Award become payable.

2.29 "Dodd-Frank" means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

2.30 "DRO" has the meaning set forth in Section 5.4(a).

2.31 "Effective Date" has the meaning set forth in Section 1.1.

2.32 "Eligible Person" means any employee (including any officer) of, or non-employee consultant to, or Non-Employee Director of, the Company or any Affiliate, or potential employee (including a potential officer) of, or potential non-employee consultant to, or potential Non-Employee Director of, the Company or an Affiliate; provided, however, that (i) solely with respect to the grant of an Incentive Stock Option, an Eligible Person shall be any employee (including any officer) of the Company or any Subsidiary Corporation and (ii) the Committee may establish additional eligibility criteria

for determining an Eligible Person for any Awards granted hereunder. Solely for purposes of Section 5.6(b), current or former employees or Non-Employee Directors of, or non-employee consultants to, an Acquired Entity who receive Substitute Awards in substitution for Acquired Entity Awards shall be considered Eligible Persons under this Plan with respect to such Substitute Awards.

2.33 “ERISA” has the meaning set forth in Section 5.4(a).

2.34 “Exchange Act” means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder.

2.35 “Exercise Price” means (a) with respect to an Option, the price at which a Share may be purchased by a Grantee pursuant to such Option or (b) with respect to an SAR, the price established at the time an SAR is granted pursuant to Article 7, which is used to determine the amount, if any, of the payment due to a Grantee upon exercise of the SAR.

2.36 “Fair Market Value” means, unless the Committee determines otherwise, a price that is based on the closing price of a Share reported on Nasdaq on the applicable date or on the established stock exchange which is the principal exchange upon which the Shares are traded on the applicable date or, if the Shares are not traded on such date, the immediately preceding trading day. Unless the Committee determines otherwise, if the Shares are traded over the counter at the time a determination of Fair Market Value is required to be made hereunder, Fair Market Value shall be deemed to be equal to the arithmetic mean between the reported high and low or closing bid and asked prices of a Share on the applicable date, or if no such trades were made that day then the most recent date on which Shares were so traded. In the event Shares are not publicly traded at the time a determination of their value is required to be made hereunder, the determination of their Fair Market Value shall be made by the Committee in such manner as it deems appropriate provided such manner is consistent with Treasury Regulation 1.409A-1(b)(5)(iv)(B). The Fair Market Value that the Committee determines shall be final, binding and conclusive on the Company, any Affiliate and each Grantee.

2.37 “FICA” has the meaning set forth in Section 16.1(a).

2.38 “Grant Date” means the date on which an Award is granted or such later date as specified in advance by the Committee.

2.39 “Grantee” means an Eligible Person to whom an Award has been granted under the Plan.

2.40 “Immediate Family” has the meaning set forth in Section 5.4(c).

2.41 “Incentive Stock Option” means an Option that is intended to meet the requirements of Section 422 of the Code.

2.42 “Incumbent Board Member” means an individual who either is (a) a member of the Board as of the effective date of the Board’s adoption of this Plan or (b) a member who becomes a member of the Board subsequent to the date of the Board’s adoption of this Plan whose election, or nomination for election by the Company’s stockholders, was

approved by a vote of at least sixty percent (60%) of the then Incumbent Board Members (either by a specific vote or by approval of the proxy statement of the Company in which that person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

- 2.43 “LTD Program” has the meaning set forth in Section 2.26(a).
- 2.44 “Management Committee” has the meaning set forth in Section 3.1(b).
- 2.45 “More Than Ten Percent (10%) Owner” has the meaning set forth in Section 6.4(b).
- 2.46 “Nasdaq” means The Nasdaq Stock Market.
- 2.47 “Net After Tax Receipt” has the meaning set forth in Article 17.
- 2.48 “Non-Employee Director” means a member of the Board, or the board of directors of an Affiliate, who is not an employee of the Company or any Affiliate.
- 2.49 “Non-Qualified Stock Option” means an option that is not intended to meet the requirements of Section 422 of the Code.
- 2.50 “Option” means an option granted under Article 6 of the Plan.
- 2.51 “Other Plans” has the meaning set forth in Section 6.4(d).
- 2.52 “Other Stock-Based Award” means a right, granted under Article 12 hereof, that relates to or is valued by reference to Shares or other Awards relating to Shares.
- 2.53 “Overpayment” has the meaning set forth in Article 17.
- 2.54 “Parent Corporation” means any parent corporation of the Company within the meaning of Section 424(e) of the Code.
- 2.55 “Performance-Based Award” means an Award with respect to which the grant, vesting, payment and/or settlement is contingent upon the satisfaction of specified Performance Measures in the specified performance period.
- 2.56 “Performance Measures” mean one or more performance measures established by the Committee as a requirement for an Award to vest and/or become exercisable or settled. An Award may be contingent upon the Grantee’s continued employment or service in addition to the Performance Measures. In determining if the Performance Measures have been achieved, the Committee will adjust the performance targets in the event of any unbudgeted acquisition, divestiture or other unexpected fundamental change
-

in the business of the Company, an Affiliate or business unit or in any product that is material taken as a whole as appropriate to fairly and equitably determine if the Award is to become exercisable, nonforfeitable and transferable or earned and payable pursuant to the conditions set forth in the Award. Additionally, in determining if such performance conditions have been achieved, the Committee also will adjust the performance targets in the event of any (i) unanticipated asset write-downs or impairment charges, (ii) litigation or claim judgments or settlements thereof, (iii) changes in tax laws, accounting principles or other laws or provisions affecting reported results, (iv) accruals for reorganization or restructuring programs, or (v) other extraordinary non-reoccurring items.

2.57 “Performance Share” and “Performance Unit” mean an Award granted as a Performance Share or Performance Unit under Article 10.

2.58 “Period of Restriction” means the period during which Restricted Shares are subject to Forfeiture if the conditions specified in the Award Agreement are not satisfied.

2.59 “Period of Vesting” means the period during which the Award is subject to forfeiture or may not be exercised if the conditions specified in the Award Agreement are not satisfied.

2.60 “Permitted Transferee” has the meaning set forth in Section 5.4(c).

2.61 “Person” means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

2.62 “Plan” means this ScanSource, Inc. 2021 Omnibus Incentive Compensation Plan, in its current form or as hereafter amended.

2.63 “Present Value” has the meaning set forth in Article 17.

2.64 “Prior Grants” has the meaning set forth in Section 6.4(e).

2.65 “Prior Plan” means the ScanSource, Inc. 2013 Long-Term Incentive Plan, as amended.

2.66 “Proceeding” has the meaning set forth in Section 18.11.

2.67 “Reduced Amount” has the meaning set forth in Article 17.

2.68 “Restricted Shares” means Shares issued under Article 9 that are both subject to Forfeiture and are nontransferable if the Grantee does not satisfy the conditions specified in the Award Agreement applicable to such Shares and subject to the Grantee paying the nominal value in cash for each Share to the extent required by the Committee.

2.69 “Restricted Stock Units” are rights, granted under Article 9, to receive Shares if the Grantee satisfies the conditions specified in the Award Agreement applicable to such

rights, and subject always to the Grantee paying the nominal value in cash for each such Share to the extent required by the Committee.

2.70 “Retirement” means a Grantee’s Termination of Service on or after attaining such age and/or completing such years of service as the Committee may determine and set forth in an Award Agreement.

2.71 “Returned Shares” has the meaning set forth in Section 4.1.

2.72 “Rule 16b-3” means Rule 16b-3 promulgated by the SEC under the Exchange Act, as amended from time to time, together with any successor rule.

2.73 “Sarbanes-Oxley” means the Sarbanes-Oxley Act of 2002.

2.74 “SEC” means the United States Securities and Exchange Commission, or any successor thereto.

2.75 “Section 16 Non-Employee Director” means a member of the Board who satisfies the requirements to qualify as a “non-employee director” under Rule 16b-3.

2.76 “Section 16 Person” means a person who is subject to potential liability under Section 16(b) of the Exchange Act with respect to transactions involving equity securities of the Company.

2.77 “Securities Act” means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

2.78 “Separation from Service” means, with respect to any Award that constitutes deferred compensation within the meaning of Code Section 409A, a “separation from service” as defined in Treasury Regulation Section 1.409A-1(h).

2.79 “Share” means the common stock, no par value per share, of the Company, and, unless the context otherwise requires, such other securities of the Company, as may be substituted or resubstituted for Shares pursuant to Section 4.2 hereof.

2.80 “Stock Appreciation Right” or “SAR” means an Award granted under Article 7 of the Plan.

2.81 “Subsidiary Corporation” means a corporation other than the Company in an unbroken chain of corporations beginning with the Company if, at the time of granting the Award, each of the corporations other than the last corporation in the unbroken chain owns shares or stock possessing fifty percent (50%) or more of the total combined voting power of all classes of shares or stock in one of the other corporations in such chain.

2.82 “Substitute Awards” has the meaning set forth in Section 5.6(b).

2.83 “Surviving Company” means the surviving corporation in any merger or consolidation, involving the Company, including the Company if the Company is the

surviving corporation, or the direct or indirect parent company of the Company or such surviving corporation following a sale of substantially all of the outstanding shares or stock of the Company.

2.84 “Tax Date” has the meaning set forth in Section 16.1(a).

2.85 “Tendered Restricted Shares” has the meaning set forth in Section 6.5.

2.86 “Term” of any Option or SAR means the period beginning on the Grant Date of an Option or SAR and ending on the date such Option or SAR expires, terminates or is cancelled. No Option or SAR granted under this Plan shall have a Term exceeding 10 years.

2.87 “Termination of Service” means (a) that the employee has terminated employment with the Company and its Affiliates, the non-employee consultant is no longer serving as a consultant to the Company or an Affiliate or the Non-Employee Director has ceased being a director of the Company or any Affiliate or (b) when an entity which is employing the employee or non-employee consultant or on whose board of directors the Non-Employee Director is serving, ceases to be an Affiliate, unless the Participant otherwise is, or thereupon becomes, an employee, non-employee consultant or Non-Employee Director of the Company or another Affiliate, at the time such entity ceases to be an Affiliate. In the event an employee, non-employee consultant or Non-Employee Director becomes one of the other categories of Eligible Persons upon the termination of such employee’s employment, such consultant’s consultancy or such Non-Employee Director’s service, unless otherwise determined by the Committee, in its sole discretion, no Termination of Service will be deemed to have occurred until such time as such person is no longer an employee, non-employee consultant or Non-Employee Director. Notwithstanding the foregoing, however, that if an Award constitutes deferred compensation within the meaning of Code Section 409A, Termination of Service with respect to such Award shall mean the Grantee’s Separation from Service to the extent necessary for such Award to comply with Section 409A of the Code.

2.88 “Underpayment” has the meaning set forth in Article 17.

Article 3 Administration

3.1 Committee.

(a) Subject to Article 12 and Section 3.2, the Plan shall be administered by the Compensation Committee or the Board itself if no Compensation Committee exists. Notwithstanding the foregoing, either the Board or the Compensation Committee may at any time and in one or more instances reserve administrative powers to itself as the Committee or exercise any of the administrative powers of the Committee. To the extent the Board or Compensation Committee considers it desirable to comply with Rule 16b-3, the Committee shall consist of two or more directors of the Company, all of whom qualify as “independent directors” within the meaning of the Nasdaq listing standards and as Section 16 Non-Employee

Directors. The number of members of the Committee shall from time to time be increased or decreased, and shall be subject to such conditions, in each case if and to the extent the Board deems it appropriate to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3.

(b) The Board or the Compensation Committee may appoint and delegate to another committee (“Management Committee”), or to the CEO, any or all of the authority of the Board or the Committee, as applicable, with respect to Awards to Grantees other than Grantees who are executive officers or Non-Employee Directors, or who are (or are expected to be) Section 16 Persons at the time any such delegated authority is exercised.

(c) Unless the context requires otherwise, any references herein to “Committee” include references to, the Board or the Compensation Committee to the extent the Board or the Compensation Committee, as applicable, has assumed or exercises administrative powers as the Committee pursuant to subsection (a), and to the Management Committee or the CEO to the extent either has been delegated authority pursuant to subsection (b), as applicable; provided that, (i) for purposes of Awards to Non-Employee Directors, “Committee” shall include only the full Board, and (ii) for purposes of Awards intended to comply with Rule 16b-3, “Committee” shall include only the Compensation Committee.

3.2 Powers of Committee. Subject to and consistent with the provisions of the Plan (including Article 14), the Committee has full and final authority and sole discretion as follows; provided that any such authority or discretion exercised with respect to a specific Non-Employee Director shall be approved by the affirmative vote of a majority of the members of the Board, even if not a quorum, but excluding the Non-Employee Director with respect to whom such authority or discretion is exercised:

- (a) to determine when, to whom and in what types and amounts Awards should be granted;
 - (b) to grant Awards to Eligible Persons in any number and to determine the terms and conditions applicable to each Award;
 - (c) subject to Section 5.3 below, to determine whether, to what extent and under what circumstances, subject to Applicable Law, an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards or other property, or an Award may be accelerated, vested, canceled, forfeited or surrendered or any terms of the Award may be waived, and to accelerate the exercisability of, and to accelerate or waive any or all of the terms and conditions applicable to, any Award or any group of Awards for any reason and at any time;
 - (d) to determine with respect to Awards granted to Eligible Persons whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award will be deferred, either at the election of the Grantee or if and to the extent specified in the Award Agreement automatically or at the election of the Committee;
-

- (e) subject to Section 3.3 below, to offer to exchange or buy out any previously granted Award for a payment in cash, Shares or other Award;
 - (f) subject to Section 5.3 below, to provide in the terms of the Award or otherwise for accelerated exercisability or vesting of any Award upon the occurrence of one or more events other than completion of a service period, including without limitation the Grantee's Retirement, death, Disability or Termination of Service by the Company and its Affiliates without Cause or a Change in Control;
 - (g) to construe and interpret the Plan and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;
 - (h) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan;
 - (i) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;
 - (j) with the consent of the Grantee, to amend any such Award Agreement at any time; provided, however, that the consent of the Grantee shall not be required for any amendment (i) which does not adversely affect the rights of the Grantee, or (ii) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new Applicable Law or change in an existing Applicable Law, or (iii) to the extent the Award Agreement specifically permits amendment without consent;
 - (k) subject to Section 3.3, to cancel, with the consent of the Grantee, outstanding Awards and to grant new Awards in substitution therefor;
 - (l) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including limiting the percentage of Awards which may from time to time be exercised by a Grantee;
 - (m) to adopt rules and/or procedures (including the adoption of any subplan under the Plan) relating to the operation and administration of the Plan to accommodate requirements of local law and procedures;
 - (n) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and Award Agreement or any other instrument entered into or relating to an Award under the Plan;
 - (o) to modify, extend or renew an Award, subject to Section 1.3, 5.3 and 5.9, provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Grantee;
-

- (p) subject to Section 3.3, to provide for the settlement of any Award in cash, Shares or a combination thereof; and
- (q) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Affiliate the authority, subject to such terms as the Committee shall determine, to perform specified functions under the Plan (subject to Sections 4.3 and 5.7(c)). The Committee may revoke or amend the terms of any delegation at any time but such action shall not invalidate any prior actions of the Committee's delegate or delegates that were consistent with the terms of the Plan and the Committee's prior delegation.

The Company shall bear all expenses of administering the Plan.

Notwithstanding any provision of the Plan to the contrary, the Committee, in its sole discretion, may modify the terms and conditions of the Plan and/or any Award granted to Grantees outside the United States to comply with applicable foreign laws or listing requirements of any such foreign stock exchange; and take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign stock exchange. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards shall be granted, that would violate the Exchange Act or any other securities law or governing statute or any other Applicable Law.

3.3 No Repricings. Notwithstanding any provision in Section 3.2 to the contrary, the terms of any outstanding Option or SAR may not be amended to reduce the Exercise Price of such Option or SAR, or cancel any outstanding Option or SAR in exchange for other Options or SARs with an Exercise Price that is less than the Exercise Price of the cancelled Option or SAR or for any cash payment (or Shares having a Fair Market Value) in an amount that exceeds the excess of the Fair Market Value of the Shares underlying such cancelled Option or SAR over the aggregate Exercise Price of such Option or SAR or for any other Award, without stockholder approval; provided, however, that the restrictions set forth in this Section 3.3, shall not apply (i) unless the Company has a class of shares or stock that is registered under Section 12 of the Exchange Act or (ii) to any adjustment allowed under Section 4.2.

Article 4 **Shares Subject to the Plan and Maximum Awards**

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.2 and except as provided in Section 5.6(b), the maximum number of Shares hereby reserved for delivery in connection with Awards under the Plan shall be 1,700,000

Shares, plus that number of Shares subject to awards granted under the Prior Plan which become available in accordance with the provisions below after the stockholders of the Company approve the Plan. The total number of Shares that may be delivered pursuant to the exercise of Incentive Stock Options granted hereunder, however, shall not exceed 1,700,000. If the stockholders of the Company approve the Plan, no further awards shall be granted under the Prior Plan after the date of such approval; if the stockholders of the Company do not approve the Plan, the Prior Plan shall remain in effect for the grant of awards thereunder.

Shares covered by an Award shall only be counted as used to the extent actually used. A Share issued in connection with an Award under the Plan shall reduce the total number of Shares available for issuance under the Plan by one; provided, however, that, upon settlement of an SAR, the greater of the number of Shares underlying the portion of the SAR that is exercised or the number of Shares actually issued will be treated as having been delivered for purposes of determining the maximum number of Shares available for grant under the Plan and shall not again be treated as available for grant under the Plan.

If any Award under the Plan or any award under the Prior Plan that is outstanding as of the Effective Date terminates without the delivery of Shares, whether by lapse, forfeiture, cancellation or otherwise, the Shares subject to such Award or the award under the Prior Plan, to the extent of any such termination, shall again be available for grant under the Plan. Notwithstanding the foregoing, upon the exercise of any Award or any award under the Prior Plan that is outstanding as of the Effective Date granted in tandem with any other Award or any other award under the Prior Plan, such related Award or related award under the Prior Plan shall be cancelled to the extent of the number of Shares as to which the Award or the award under the Prior Plan is exercised and such number of Shares shall no longer be available for Awards under the Plan. If any Shares subject to an Award granted hereunder or any award granted under the Prior Plan that is outstanding as of the Effective Date are withheld or applied as payment in connection with the exercise of such Award or of such award under the Prior Plan or the withholding or payment of taxes related thereto or Shares separately surrendered by the Grantee for any such purpose ("Returned Shares"), such Returned Shares will be treated as having been delivered for purposes of determining the maximum number of Shares available for grant under the Plan and shall not again be treated as available for grant under the Plan. The number of Shares available for issuance under the Plan may not be increased through the Company's purchase of Shares on the open market with the proceeds obtained from the exercise of any Options or other purchase rights granted hereunder or any options or other purchase rights granted under the Prior Plan. In addition, in the case of any Substitute Award granted in assumption of or in substitution for an Acquired Entity Award, Shares delivered or deliverable in connection with such Substitute Award shall not be counted against the number of Shares reserved under the Plan (to the extent permitted by the rules of Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted), and available shares of stock under a stockholder-approved plan of an Acquired Entity (as appropriately adjusted to reflect the transaction) also may be used for Awards under the Plan, which shall not reduce the number of Shares otherwise available under the Plan (subject to applicable requirements of Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted).

Shares may be allotted and issued pursuant to the Plan from the Company's authorized but unissued share capital, or the reissue of treasury Shares.

The proceeds that the Company receives in connection with Awards granted under the Plan, if any, shall be used for general corporate purposes and shall be added to the general funds of the Company.

4.2 Adjustments in Authorized Shares and Awards; Liquidation, Dissolution or Change in Control.

(a) In the event that the Committee determines that any dividend or other distribution (excluding any ordinary dividend or distribution) (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse stock split, subdivision, consolidation or reduction of capital, reorganization, merger, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares or other securities of the Company or other rights to purchase Shares or other securities of the Company, or other corporate transaction or event affects the Shares, such that any adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, (iii) the Exercise Price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award, (iv) the number and kind of Shares of outstanding Restricted Shares, or the Shares underlying any Award of Restricted Stock Units, Deferred Stock or other outstanding Share-based Award and (v) any other terms and conditions of the Award. Notwithstanding the foregoing, (x) no such adjustment shall be authorized with respect to any Options or SARs to the extent that such adjustment would cause the Option or SAR (determined as if such Option or SAR was an Incentive Stock Option) to violate Section 424(a) of the Code or with respect to any Awards to the extent such adjustment would subject any Grantee to taxation under Section 409A of the Code; and (y) the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(b) In the event of a merger or consolidation of the Company with or into another corporation or a sale of all or substantially all of the shares or stock of the Company or all or substantially all of the assets of the Company, including by way of a court sanctioned compromise or scheme of arrangement, reorganization, merger, combination, purchase, recapitalization, liquidation, or sale, transfer, exchange or other disposition (a “Corporate Transaction”) that results in a Change in Control, unless an outstanding Award is assumed by the Surviving Company or replaced with an equivalent Award granted by the Surviving Company in substitution for such outstanding Award, the Committee shall cancel any outstanding Awards that are not vested and nonforfeitable as of the consummation of such Corporate Transaction (unless the vesting of the Award is accelerated as described below) and with respect to any vested and nonforfeitable Awards, the Committee may either (i) allow all Grantees to exercise such Awards in the nature

of Options, SARs or other purchase rights to the extent then exercisable or to become exercisable upon the Change in Control within a reasonable period prior to the consummation of the Change in Control and cancel any Awards in the nature of Options, SARs or other purchase rights that remain unexercised upon consummation of the Change in Control, and/or (ii) cancel any or all of such outstanding Awards in exchange for a payment (in cash and/or in securities and/or other property) in an amount equal to the amount that the Grantee would have received (net of the Exercise Price with respect to any Awards in the nature of Options, SARs or other purchase rights) and on the same terms (including without limitation any earn-out, escrow or other deferred consideration provisions) as if such vested Awards were settled or distributed or such Awards in the nature of vested Options, SARs or other purchase rights were exercised immediately prior to the consummation of the Change in Control. Notwithstanding the foregoing, if an Option, SAR or other purchase right is not assumed by the Surviving Company or replaced with an equivalent Award issued by the Surviving Company and the Exercise Price with respect to the outstanding Option, SAR or other purchase right equals or exceeds the amount payable per Share in the Change in Control, such Awards shall be cancelled without any payment to the Grantee.

(c) Immediately prior to consummation of any Corporate Transaction that results in a Change in Control (subject to consummation of the Change in Control), all outstanding Awards will become vested and non-forfeitable, earned and payable and any conditions on any such Award shall lapse, as to all of such Award to the extent then outstanding, including Shares as to which the Award would not otherwise be exercisable or non-forfeitable or earned and payable, unless the outstanding Award is assumed by the Surviving Company or replaced with an equivalent Award granted by the Surviving Company in substitution for such outstanding Award. If the outstanding Award is assumed by the Surviving Company or replaced with an equivalent Award granted by the Surviving Company in substitution for such outstanding Award, then all such outstanding Awards will become vested and non-forfeitable, earned and payable and any conditions on any such Award shall lapse, as to all of such Award to the extent then outstanding, including Shares as to which the Award would not otherwise be exercisable or non-forfeitable or earned and payable, upon the Grantee's subsequent Retirement, death, Disability, or Termination of Service by the Company and its Affiliates without Cause, in any such case on or within the two (2) years after the Change in Control.

(d) Notwithstanding the forgoing provisions of this Section 4.2, if an Award constitutes deferred compensation within the meaning of Code Section 409A, no payment or settlement of such Award shall be made pursuant to Section 4.2(b) or (c), unless the Corporate Transaction or the dissolution or liquidation of the Company, as applicable, constitutes a change in ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company as described in Treasury Regulation Section 1.409A-3(i)(5) and such payment or settlement does not result in a violation of Section 409A of the Code. Additionally, with respect to any Award with respect to which the grant, vesting, payment and/or settlement is contingent upon the satisfaction of specified

Performance Measures in the specified performance period and which is not assumed by the Surviving Company or replaced with an equivalent Award granted by the Surviving Company in substitution for such outstanding Award, unless the Award Agreement provides otherwise, the Award shall become vested, and be paid and settled, pursuant to Section 4.2(b) or (c), at target and prorated based on the number of days in the specified performance period prior to and including the date of the Change in Control over the number of days in the specified performance period. If any such Awards are assumed by the Surviving Company or replaced with an equivalent Award granted by the Surviving Company in substitution for such outstanding Award, unless the Award Agreement provides otherwise, the Award shall be converted into a time-based Award as of the Change in Control, subject to the Grantee's continued employment or other service, and such outstanding Awards will become vested and non-forfeitable, earned and payable and any conditions on any such Award shall lapse, as to all of such Award to the extent then outstanding, including Shares as to which the Award would not otherwise be exercisable or non-forfeitable or earned and payable, upon the Grantee's subsequent Retirement, death, Disability, or Termination of Service by the Company and its Affiliates without Cause, in any such case on or within the two (2) years after the Change in Control.

4.3 **Individual Award Limits.** Except as provided herein or in Section 5.6(b), no Grantee (other than a Non-Employee Director) may be granted in a single calendar year any Awards denoted in Shares as of the date of grant (regardless of whether the Awards will be settled in Shares, cash or other property) with respect to more than 500,000 Shares (twice that limit for Awards that are granted to a Grantee (other than a Non-Employee Director) in the calendar year in which the Grantee first commences employment or service) (based on the highest level of performance resulting in the maximum payout), subject to adjustment as provided in Section 4.2(a). The maximum potential value of any Awards denoted in cash or other property as of the date of grant (with the property valued as of the date of grant of the Award) (regardless of whether the Awards will be settled in Shares, cash or other property) that may be granted in any calendar year to any Grantee (other than a Non-Employee Director) shall not exceed \$7,000,000 (twice that limit for Awards that are granted to a Grantee (other than a Non-Employee Director) in the calendar year in which the Grantee first commences employment or service) (based on the highest level of performance resulting in the maximum payout) for all such Awards. Such annual limitations apply to Dividend Equivalents under Article 11 only if such Dividend Equivalents are granted separately from and not as a feature of another Award (even if that feature is treated as a separate award for other purposes, including Section 409A of the Code). Notwithstanding the foregoing, however, the Committee may make exceptions to the foregoing limits in extraordinary or unusual circumstances as the Committee may determine appropriate.

Article 5

Eligibility and General Conditions of Awards

5.1 **Eligibility.** The Committee may in its discretion grant Awards to any Eligible Person, whether or not he or she has previously received an Award; provided, however,

that all Awards made to Non-Employee Directors shall be determined by the Board in its sole discretion.

5.2 Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement and, unless the Committee determines otherwise, such Agreement must be signed, acknowledged and returned by the Grantee to the Company. Unless the Committee determines otherwise, any failure by the Grantee to sign and return the Agreement within such period of time following the granting of the Award as the Committee shall prescribe shall cause such Award to the Grantee to be null and void. By accepting an Award or other benefits under the Plan (including participation in the Plan), each Grantee shall be conclusively deemed to have indicated acceptance and ratification of, and consented to, all provisions of the Plan and the Award Agreement.

5.3 General Terms and Termination of Service. The Committee may impose on any Award or the exercise or settlement thereof, at the date of grant or, subject to the provisions of Section 14.2, thereafter, such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine, including without limitation terms requiring forfeiture or transfer, acceleration or pro-rata acceleration of Awards in the event of a Termination of Service by the Grantee. Awards may be granted for no consideration other than prior and future services save that in no event will Shares subject to an Award be allotted and issued unless the nominal value per Share is paid in cash, to the extent required by Applicable Law. Except as otherwise determined by the Committee pursuant to this Section 5.3 or set forth in an Award Agreement, all Options that have not been exercised, or any other Awards that remain subject to a risk of forfeiture or which are not otherwise vested, or which have outstanding Performance Periods, at the time of a Termination of Service shall be forfeited to the Company. Notwithstanding any other provision of the Plan to the contrary and subject to the immediately following proviso, equity-based Awards granted under the Plan shall vest no earlier than the first anniversary of the date the Award is granted, and performance-based Awards must have a performance period of at least one year; provided, however, that (i) the Committee may grant Awards without regard to the foregoing minimum vesting requirement with respect to a maximum of five percent (5%) of the available Shares (the “5% Exception Limit”) authorized for issuance under the Plan (subject to adjustment under Section 4.2) and (ii) Awards granted within the first ninety (90) days of a year may have a performance period that begins as of the first day of the year and still qualify as having a performance period of at least one year. For the avoidance of doubt, the foregoing restriction does not apply to the Committee’s discretion to provide in the terms of the Award or otherwise for accelerated exercisability or vesting of any Award upon the occurrence of one or more events other than completion of a service period, including without limitation the Grantee’s Retirement, death, Disability, Termination of Service by the Company and its Affiliates without Cause or a Change in Control. Additionally, notwithstanding any other provision of this Plan or any Award Agreement to the contrary, no dividends or Dividend Equivalents shall be paid with respect to any Awards that do not become vested, non-forfeitable or payable under the Plan.

5.4 Nontransferability of Awards.

(a) Each Award and each right under any Award shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under Applicable Law, by the Grantee's guardian or legal representative or by a transferee receiving such Award pursuant to a domestic relations order (a "DRO") as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or the rules thereunder.

(b) No Award (prior to the time, if applicable, Shares are delivered in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee otherwise than by will or by the laws of descent and distribution (or in the case of Restricted Shares, to the Company) or pursuant to a DRO, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary to receive benefits in the event of the Grantee's death shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Notwithstanding subsections (a) and (b) above, to the extent provided in the Award Agreement, Awards (other than Incentive Stock Options and corresponding tandem Awards), may be transferred, without consideration, to a Permitted Transferee. For this purpose, a "Permitted Transferee" in respect of any Grantee means any member of the Immediate Family of such Grantee, any trust of which all of the primary beneficiaries are such Grantee or members of his or her Immediate Family, or any partnership (including limited liability companies and similar entities) of which all of the partners or members are such Grantee or members of his or her Immediate Family; and the "Immediate Family" of a Grantee means the Grantee's spouse, any person sharing the Grantee's household (other than a tenant or employee), children, stepchildren, grandchildren, parents, stepparents, siblings, grandparents, nieces and nephews. Such Award may be exercised by such transferee in accordance with the terms of the Award Agreement. If so determined by the Committee, a Grantee may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Grantee, and to receive any distribution with respect to any Award, after the death of the Grantee. A transferee, beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Grantee shall be subject to and consistent with the provisions of the Plan and any applicable Award Agreement, except to the extent the Plan and Award Agreement otherwise provide with respect to such persons, and to any additional restrictions or limitations deemed necessary or appropriate by the Committee.

(d) Nothing herein shall be construed as requiring the Company or any Affiliate to honor a DRO except to the extent required under Applicable Law.

5.5 Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold, or otherwise limit or restrict any unexercised or other Award at any time if the Grantee is not in compliance

with all applicable provisions of the Award Agreement and the Plan or if the Grantee has a Termination of Service.

5.6 Stand-Alone, Tandem and Substitute Awards.

(a) Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan unless such tandem or substitution Award would subject the Grantee to tax penalties imposed under Section 409A of the Code. If an Award is granted in substitution for another Award or any non-Plan award or benefit, the Committee shall require the surrender of such other Award or non-Plan award or benefit in consideration for the grant of the new Award. Awards granted in addition to or in tandem with other Awards or non-Plan awards or benefits may be granted either at the same time as or at a different time from the grant of such other Awards or non-Plan awards or benefits; provided, however, that if any SAR is granted in tandem with an Incentive Stock Option, such SAR and Incentive Stock Option must have the same Grant Date, Term and the Exercise Price of the SAR may not be less than the Exercise Price of the related Incentive Stock Option.

(b) The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate in the circumstances, grant Awards under the Plan ("Substitute Awards") in substitution for share or stock and share or stock-based awards ("Acquired Entity Awards") held by current or former employees or non-employee directors of, or consultants to, another corporation or entity who become Eligible Persons as the result of a merger or consolidation of the employing corporation or other entity (the "Acquired Entity") with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or shares or stock of the Acquired Entity immediately prior to such merger, consolidation or acquisition in order to preserve for the Grantee the economic value of all or a portion of such Acquired Entity Award at such price as the Committee determines necessary to achieve preservation of economic value. The limitations of Sections 4.1 and 4.3 on the number of Shares reserved or available for grants shall not apply to Substitute Awards granted under this Section 5.6(b).

5.7 Deferral of Award Payouts. The Committee may permit a Grantee to defer, or if and to the extent specified in an Award Agreement require the Grantee to defer, receipt of the payment of cash or the delivery of Shares that would otherwise be due by virtue of the lapse or waiver of restrictions with respect to Awards, the satisfaction of any requirements or goals with respect to Awards, the lapse or waiver of the deferral period for Awards, or the lapse or waiver of restrictions with respect to Awards. If the Committee permits such deferrals, the Committee shall establish rules and procedures for making such deferral elections and for the payment of such deferrals, which shall conform in form and substance with applicable regulations promulgated under Section 409A of the Code so that the Grantee is not subjected to tax penalties under Section 409A of the Code with respect to such deferrals. Except as otherwise provided in an Award Agreement, any payment or any Shares that are subject to such deferral shall be made or

delivered to the Grantee as specified in the Award Agreement or pursuant to the Grantee's deferral election.

5.8 Extension of Term of Award.

(a) Notwithstanding any provision of the Plan providing for the maximum term of an Award, in the event any Award would expire prior to exercise, vesting or settlement because trading in Shares is prohibited by law or by any insider trading policy of the Company, the Committee may extend the term of the Award (or provide for such in the applicable Award Agreement) until thirty (30) days after the expiration of any such prohibitions to permit the Grantee to realize the value of the Award, provided such extension (i) is permitted by law, (ii) does not violate Code Section 409A with respect to any Award, and (iii) does not otherwise adversely impact the tax consequences of the Award (such as with respect to incentive stock options and related Awards).

(b) This Section 5.9(b) applies to an Option or SAR if (i) the Grantee to whom the Option or SAR was granted remains in the continuous employment or service of the Company or an Affiliate from the date the Option or SAR was granted until the expiration date of such Option or SAR, (ii) on the expiration date the Fair Market Value of a share exceeds the exercise price of the Option or SAR, (iii) the Option or SAR has become exercisable on or before the expiration date and (iv) the term of the Option or SAR will not be extended as described above. In that event, each Option or SAR to which this Section 5.9(b) applies shall be exercised automatically on the expiration date to the extent that it is outstanding and unexercised on such date. An Option that is exercised pursuant to this Section 5.9(b) shall result in the issuance to the Grantee of that number of whole Shares that have a Fair Market Value that most nearly equals, but does not exceed, the excess of the Fair Market Value of a Share on the expiration date over the Option exercise price multiplied by the number of Shares subject to the exercisable portion of the Option. An SAR that is exercised pursuant to this Section 5.9(b) shall be settled in accordance with its terms on the expiration date.

5.9 Conditions on Delivery of Shares. The Company will not be obligated to deliver any Shares under the Plan or remove restrictions from Shares previously delivered under the Plan until (i) all Award conditions have been met or removed to the Company's satisfaction, (ii) as determined by the Company, all other legal matters regarding the issuance and delivery of such Shares have been satisfied, including any applicable securities laws and rules and regulations of Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted, and (iii) the Grantee has executed and delivered to the Company such representations or agreements as the Committee deems necessary or appropriate to satisfy any Applicable Laws. The Company's inability to obtain authority from any regulatory body having jurisdiction, which the Committee determines is necessary to the lawful issuance and sale of any Shares, will relieve the Company of any liability for failing to issue or sell such Shares as to which such requisite authority has not been obtained.

Article 6

Stock Options

6.1 Grant of Options. Subject to and consistent with the provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Exercise Price, the Term of the Option, the number of Shares to which the Option pertains, the time or times at which such Option shall be exercisable, whether the Option is intended to be a Non-Qualified Stock Option or an Incentive Stock Option and such other provisions as the Committee shall determine. Except as otherwise set forth in Section 5.6(b) above, no Option shall have a term of more than ten (10) years after its Grant Date, subject to earlier termination as provided herein or in the applicable Award Agreement. No Option may be exercised at a time when such exercise and/or the issuance of Shares pursuant to such exercise would be in breach of Applicable Law. No dividend rights or Dividend Equivalents may be granted in conjunction with any grant of Options.

6.3 Option Exercise Price. The Exercise Price of an Option under this Plan shall be determined in the sole discretion of the Committee but may not be less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date (except as otherwise set forth in Section 5.6(b) above) and shall not be less than the nominal value per Share if required by Applicable Law.

6.4 Grant of Incentive Stock Options. At the time of the grant of any Option, the Committee may in its discretion designate that such Option shall be made subject to additional restrictions to permit it to qualify as an Incentive Stock Option. An Option designated as an Incentive Stock Option:

- (a) shall be granted only to an employee of the Company, a Parent Corporation or a Subsidiary Corporation;
 - (b) shall have an Exercise Price of not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date, and, if granted to a person who owns capital stock (including stock treated as owned under Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of capital stock of the Company or any Subsidiary Corporation (a "More Than Ten Percent (10%) Owner"), have an Exercise Price not less than one hundred and ten percent (110%) of the Fair Market Value of a Share on its Grant Date;
 - (c) shall be for a period of not more than 10 years (five years if the Grantee is a More Than 10% Owner) from its Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;
 - (d) shall not have an aggregate Fair Market Value (as of the Grant Date) of the Shares with respect to which Incentive Stock Options (whether granted under the Plan or any other stock option plan of the Grantee's employer or any parent or
-

Subsidiary Corporation (“Other Plans”) are exercisable for the first time by such Grantee during any calendar year (“Current Grant”), determined in accordance with the provisions of Section 422 of the Code, which exceeds \$100,000 (the “\$100,000 Limit”);

(e) shall, if the aggregate Fair Market Value of the Shares (determined on the Grant Date) with respect to the Current Grant and all Incentive Stock Options previously granted under the Plan and any Other Plans which are exercisable for the first time during a calendar year (“Prior Grants”) would exceed the \$100,000 Limit, be, as to the portion in excess of the \$100,000 Limit, exercisable as a separate option that is not an Incentive Stock Option at such date or dates as are provided in the Current Grant;

(f) shall require the Grantee to notify the Committee of any disposition of any Shares delivered pursuant to the exercise of the Incentive Stock Option under the circumstances described in Section 421(b) of the Code (relating to holding periods and certain disqualifying dispositions) (“Disqualifying Disposition”) within 10 days of such a Disqualifying Disposition;

(g) shall by its terms not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the Grantee’s lifetime, only by the Grantee; provided, however, that the Grantee may, to the extent provided in the Plan in any manner specified by the Committee, designate in writing a beneficiary to exercise his or her Incentive Stock Option after the Grantee’s death; and

(h) shall, if such Option nevertheless fails to meet the foregoing requirements, or otherwise fails to meet the requirements of Section 422 of the Code for an Incentive Stock Option, be treated for all purposes of this Plan, except as otherwise provided in subsections (d) and (e) above, as an Option that is not an Incentive Stock Option.

Notwithstanding the foregoing and Section 3.2, the Committee may, without the consent of the Grantee, at any time before the exercise of an Option (whether or not an Incentive Stock Option), take any action necessary to prevent such Option from being treated as an Incentive Stock Option. No Option that is intended to be an Incentive Stock Option shall be invalid for failure to qualify as an Incentive Stock Option.

6.5 Payment of Exercise Price. Except as otherwise provided by the Committee in an Award Agreement, Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares made by any one or more of the following means:

- (a) cash, personal check, cash equivalent or wire transfer;
 - (b) subject to Applicable Law and with the approval of the Committee, by delivery of Shares owned by the Grantee prior to exercise, valued at their Fair Market Value on the date of exercise;
 - (c) subject to Applicable Law and with the approval of the Committee, Shares acquired upon the exercise of such Option, such Shares valued at their Fair Market Value on the date of exercise;
-

(d) subject to Applicable Law and with the approval of the Committee, Restricted Shares held by the Grantee prior to the exercise of the Option, each such share valued at the Fair Market Value of a Share on the date of exercise; or

(e) subject to Applicable Law (including the prohibited loan provisions of Section 402 of Sarbanes-Oxley), through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale proceeds sufficient to pay for such Shares, together with, if requested by the Company, the amount of federal, state, local or foreign withholding taxes payable by Grantee by reason of such exercise.

The Committee may in its discretion specify that, if any Restricted Shares (“Tendered Restricted Shares”) are used to pay the Exercise Price, (x) all the Shares acquired on exercise of the Option shall be subject to the same restrictions as the Tendered Restricted Shares, determined as of the date of exercise of the Option, or (y) a number of Shares acquired on exercise of the Option equal to the number of Tendered Restricted Shares shall be subject to the same restrictions as the Tendered Restricted Shares, determined as of the date of exercise of the Option.

Article 7

Stock Appreciation Rights

7.1 Issuance. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant SARs to any Eligible Person either alone or in addition to other Awards granted under the Plan. Such SARs may, but need not, be granted in connection with a specific Option granted under Article 6. The Committee may impose such conditions or restrictions on the exercise of any SAR as it shall deem appropriate. No dividend rights or Dividend Equivalents may be granted in conjunction with any grant of SARs.

7.2 Award Agreements. Each SAR grant shall be evidenced by an Award Agreement in such form as the Committee may approve and shall contain such terms and conditions not inconsistent with other provisions of the Plan as shall be determined from time to time by the Committee. Except as otherwise set forth in Section 5.6(b) above, no SAR shall have a term of more than ten (10) years after its Grant Date, subject to earlier termination as provided herein or in the applicable Award Agreement. No SAR may be exercised at a time when such exercise and/or the issuance of Shares pursuant to such exercise would be in breach of Applicable Law.

7.3 SAR Exercise Price. The Exercise Price of a SAR shall be determined by the Committee in its sole discretion; provided that, except as otherwise set forth in Section 5.6(b), the Exercise Price shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date of the grant of the SAR (or the exercise price of the related Option if granted in tandem therewith).

7.4 Exercise and Payment. Upon the exercise of an SAR, a Grantee shall be entitled to receive payment from the Company in an amount determined by multiplying (a) the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price; by (b) the number

of Shares with respect to which the SAR is exercised. SARs shall be deemed exercised on the date written notice of exercise in a form acceptable to the Committee is received by the Secretary of the Company. The Company shall make payment in respect of any SAR within thirty (30) days of the date the SAR is exercised, unless the Award Agreement specifically provides otherwise. Any payment by the Company in respect of a SAR may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

7.5 Grant Limitations. The Committee may at any time impose any other limitations upon the exercise of SARs which, in the Committee's sole discretion, are necessary or desirable in order for Grantees to qualify for an exemption from Section 16(b) of the Exchange Act.

Article 8 Restricted Shares

8.1 Grant of Restricted Shares. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Shares to any Eligible Person in such amounts as the Committee shall determine.

8.2 Award Agreement. Each grant of Restricted Shares shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Restricted Shares granted, and such other provisions as the Committee shall determine. The Committee may impose such conditions and/or restrictions on any Restricted Shares granted pursuant to the Plan as it may deem advisable, including restrictions based upon the achievement of specific time-based restrictions, Performance Measures, time-based restrictions on vesting following the attainment of the Performance Measures, and/or restrictions under Applicable Law.

8.3 Consideration for Restricted Shares. The Committee shall determine the amount, if any, that a Grantee shall pay for Restricted Shares provided that it shall be no less than the nominal value per Restricted Share if required to be paid by Applicable Law.

8.4 Effect of Forfeiture. If Restricted Shares are forfeited, and if the Grantee was required to pay for such shares or acquired such Restricted Shares upon the exercise of an Option, the Grantee shall be deemed to have resold such Restricted Shares to the Company at a price equal to the lesser of (x) the amount paid by the Grantee for such Restricted Shares, or (y) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as is administratively practical. Such Restricted Shares shall cease to be outstanding and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Restricted Shares.

8.5 Voting and Dividend Equivalent Rights Attributable to Restricted Shares. A Grantee awarded Restricted Shares will have all voting rights with respect to such Restricted Shares. Unless the Committee determines and sets forth in the Award Agreement that Grantee will not be entitled to receive any dividends with respect to such Restricted Shares, a Grantee will have the right to receive all dividends in respect of such Restricted Shares, which dividends shall be either deemed reinvested in additional shares of Restricted Shares, which shall remain subject to the same forfeiture conditions applicable to the Restricted Shares to which such dividends relate, or

paid in cash if and at the time the Restricted Shares are no longer subject to forfeiture, as the Committee shall set forth in the Award Agreement. No dividends may be paid with respect to Restricted Shares that are Forfeited.

8.6 Escrow; Legends. The Committee may provide that the certificates for any Restricted Shares if certificated (x) shall be held (together with a stock transfer form executed in blank by the Grantee) in escrow by the Secretary of the Company until such Restricted Shares become non-Forfeitable or are Forfeited and/or (y) shall bear an appropriate legend restricting the transfer of such Restricted Shares under the Plan. If any Restricted Shares become nonforfeitable, the Company shall cause certificates for such shares to be delivered without such legend.

Article 9

Deferred Stock and Restricted Stock Units

9.1 Grant of Deferred Stock and Restricted Stock Units. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Deferred Stock and/or Restricted Stock Units to any Eligible Person, in such amount and upon such terms as the Committee shall determine. Deferred Stock must conform in form and substance with applicable regulations promulgated under Section 409A of the Code and with Article 14 to ensure that the Grantee is not subjected to tax penalties under Section 409A of the Code with respect to such Deferred Stock.

9.2 Vesting and Delivery.

(a) Delivery of Shares subject to a Deferred Stock grant will occur upon expiration of the deferral period or upon the occurrence of one or more of the distribution events described in Section 409A of the Code as specified by the Committee in the Grantee's Award Agreement for the Award of Deferred Stock. An Award of Deferred Stock may be subject to such substantial risk of forfeiture conditions as the Committee may impose, which conditions may lapse at such times or upon the achievement of such objectives as the Committee shall determine at the time of grant or thereafter. Unless otherwise determined by the Committee, to the extent that the Grantee has a Termination of Service while the Deferred Stock remains subject to a substantial risk of forfeiture, such Deferred Shares shall be forfeited, unless the Committee determines that such substantial risk of forfeiture shall lapse in the event of the Grantee's Termination of Service due to Retirement, death, Disability, or involuntary termination by the Company or an Affiliate without "Cause."

(b) Delivery of Shares subject to a grant of Restricted Stock Units shall occur no later than the 15th day of the third month following the end of the taxable year of the Grantee or the fiscal year of the Company in which the Grantee's rights under such Restricted Stock Units are no longer subject to a substantial risk of forfeiture as defined in final regulations under Section 409A of the Code. Unless otherwise determined by the Committee, to the extent that the Grantee has a Termination of Service while the Restricted Stock Units remain subject to a substantial risk of forfeiture, such Restricted Stock Units shall be forfeited, unless the Committee determines that such substantial risk of forfeiture shall lapse in the event of the Grantee's Termination of Service due to

Retirement, death, Disability, or involuntary termination by the Company or an Affiliate without Cause or termination by the Grantee for Good Reason.

9.3 Voting and Dividend Equivalent Rights Attributable to Deferred Stock and Restricted Stock Units. A Grantee awarded Deferred Stock or Restricted Stock Units will have no voting rights with respect to such Deferred Stock or Restricted Stock Units prior to the delivery of Shares in settlement of such Deferred Stock and/or Restricted Stock Units. Unless the Committee determines and sets forth in the Award Agreement that a Grantee will not be entitled to receive any such Dividend Equivalents with respect to such Deferred Stock or Restricted Stock Units, the Grantee will have the right to receive Dividend Equivalents in respect of Deferred Stock and/or Restricted Stock Units, which Dividend Equivalents shall be either deemed reinvested in additional Shares of Deferred Stock or Restricted Stock Units, as applicable, which shall remain subject to the same forfeiture conditions applicable to the Deferred Stock or Restricted Stock Units to which such Dividend Equivalents relate, or paid in cash if and at the time the Deferred Stock or Restricted Stock Units are no longer subject to forfeiture and deliverable, as the Committee shall set forth in the Award Agreement. No Dividend Equivalents may be paid on Deferred Stock or Restricted Stock Units that are Forfeited.

Article 10

Performance Units and Performance Shares

10.1 Grant of Performance Units and Performance Shares. Subject to and consistent with the provisions of the Plan, Performance Units or Performance Shares may be granted to any Eligible Person in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

10.2 Value/Performance Goals. The Committee shall set Performance Measures in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid to the Grantee.

10.3 Earning of Performance Units and Performance Shares. After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to payment based on the level of achievement of performance goals set by the Committee.

At the discretion of the Committee, the settlement of Performance Units or Performance Shares may be in cash, Shares of equivalent value, or in some combination thereof, as set forth in the Award Agreement provided that if it is to be in Shares, issuance of the Shares shall be subject to payment by the Grantee in cash of the nominal value for each Share so issued to the extent required by Applicable Law.

If a Grantee is promoted, demoted or transferred to a different business unit of the Company during a Performance Period, then, to the extent the Committee determines that the Award, the performance goals, or the Performance Period are no longer appropriate, the Committee may adjust, change, eliminate or cancel the Award, the performance goals, or the applicable Performance Period, as it deems appropriate in order to make them appropriate and comparable to the initial Award, the performance goals, or the Performance Period.

Unless the Committee determines and sets forth in the Award Agreement that a Grantee will not be entitled to vote or receive any dividends or Dividend Equivalents declared with respect to Shares deliverable in connection with grants of Performance Units or Performance Shares, the Grantee shall have the right to vote the Shares in respect of such Performance Shares and the right to receive any dividends or Dividend Equivalents in respect of such Performance Units and Performance Shares, which dividends and Dividend Equivalents shall either be deemed reinvested in additional Shares of Performance Units or Performance Shares, as applicable, which shall remain subject to the same forfeiture conditions applicable to the Performance Units or Performance Shares to which such dividends and Dividend Equivalents relate, or paid in cash if and at the time the Performance Units or Performance Shares are payable and/or no longer subject to forfeiture, as the Committee shall set forth in the Award Agreement. No dividends or Dividend Equivalents may be paid on Performance Units or Performance Shares that are forfeited.

Article 11

Dividend Equivalents

The Committee is authorized to grant Awards of Dividend Equivalents alone or in conjunction with other Awards; provided, however, that no Dividend Equivalents may be granted in conjunction with any grant of Options or SARs, and no Dividend Equivalents may be paid on any Awards other than Options and SARs unless and until the Awards become vested, nonforfeitable and/or payable. The Committee may provide that Dividend Equivalents not paid in connection with an Award shall either be (i) paid or distributed in cash when the Dividend Equivalents or Awards to which such Dividend Equivalents relate become vested, nonforfeitable and/or payable or (ii) deemed to have been reinvested in additional Dividends Equivalents or Awards.

Article 12

Other Stock-Based Awards

The Committee is authorized, subject to limitations under Applicable Law, to grant such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including Shares awarded which are not subject to any restrictions or conditions, convertible or exchangeable debt securities or other rights convertible or exchangeable into Shares, and Awards valued by reference to the value of securities of or the performance of specified Affiliates. Subject to and consistent with the provisions of the Plan, the Committee shall determine the terms and conditions of such Awards. Except as provided by the Committee, Shares delivered pursuant to a purchase right granted under this Article 12 shall be purchased for such consideration, paid for by such methods and in such forms, including cash, Shares, outstanding Awards or other property, as the Committee shall determine.

Article 13

Non-Employee Director Awards

Subject to the terms of the Plan, the Committee may grant Awards to any Non-Employee Director, in such amount and upon such terms and at any time and from time to time as shall be determined by the Committee in its sole discretion. Except as otherwise provided in Section 5.6(b), a Non-Employee Director may not be granted Awards during any single calendar year that, taken together with any cash fees paid to such Non-Employee Director during such calendar

year in respect of the Non-Employee Director's service as a member of the Board during such year, exceeds \$1,250,000 in total value (calculating the value of any such Awards based on the grant date fair value of such Awards for financial accounting purposes).

Article 14
Amendment, Modification, and Termination

14.1 Amendment, Modification, and Termination. Subject to Section 14.2, the Board may, at any time and from time to time, alter, amend, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders, except that (a) any amendment or alteration shall be subject to the approval of the Company's stockholders if such stockholder approval is required by any Applicable Law, and (b) the Board may otherwise, in its discretion, determine to submit other such amendments or alterations to stockholders for approval.

14.2 Awards Previously Granted. Except as otherwise specifically permitted in the Plan or an Award Agreement, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Grantee of such Award. Notwithstanding the foregoing, the Board reserves the authority to terminate a 409A Award granted under the Plan in return for payment of the vested portion of the 409A Award provided the termination and payment satisfies the rules under Section 409A of the Code.

Article 15
Compliance with Code Section 409A

15.1 Awards Subject to Code Section 409A. The provisions of this Article 18 and Section 409A of the Code shall apply to any Award or portion thereof that is or becomes deferred compensation subject to Code Section 409A (a "409A Award"), notwithstanding any provision to the contrary contained in the Plan or the Award Agreement applicable to such Award to the extent required for the Award to comply with Section 409A of the Code.

15.2 Distributions. Except as otherwise permitted or required by Code Section 409A, no distribution in settlement of a 409A Award may commence earlier than (i) Separation from Service; (ii) the date the Grantee becomes Disabled (as defined in Section 2.28(b)); (iii) the date of the Grantee's death; (iv) a specified time (or pursuant to a fixed schedule) that is either (a) specified by the Committee upon the grant of the Award and set forth in the Award Agreement or (b) specified by the Grantee in an Election complying with the requirements of Section 409A of the Code; or (vi) a change in control of the Company within the meaning of Treasury Regulation Section 1.409A-3(h)(5).

15.3 Six Month Delay. Notwithstanding anything herein or in any Award Agreement or election to the contrary, to the extent that distribution of a 409A Award is triggered by a Grantee's Separation from Service, if the Grantee is then a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)), no distribution may be made before the date which is six (6) months after such Grantee's Separation from Service, or, if earlier, the date of the Grantee's death, to the extent required to comply with Code Section 409A.

15.4 Short-Term Deferral. If an Award Agreement does not specify a payment date, payment of the Award will be made no later than the 15th day of the third month following the end of the taxable year of the Grantee during which the Grantee's right to payment is no longer subject to a substantial risk of forfeiture under Section 409A of the Code.

Article 16 Withholding

16.1 Required Withholding.

(a) The Committee in its sole discretion may provide that when taxes are to be withheld in connection with the exercise of an Option or SAR, or upon the lapse of restrictions on Restricted Shares, or upon the transfer of Shares, or upon payment of any other benefit or right under this Plan (the date on which such exercise occurs or such restrictions lapse or such payment of any other benefit or right occurs hereinafter referred to as the "Tax Date"), the Grantee may elect to make payment for the withholding of federal, state and local taxes, including Social Security and Medicare ("FICA") taxes by one or a combination of the following methods:

- (i) payment of an amount in cash equal to the amount to be withheld (including cash obtained through the sale of the Shares acquired on exercise of an Option or SAR, upon the lapse of restrictions on Restricted Shares, or upon the transfer of Shares, through a broker-dealer to whom the Grantee has submitted irrevocable instructions to deliver promptly to the Company, the amount to be withheld);
- (ii) delivering part or all of the amount to be withheld in the form of Shares valued at their Fair Market Value on the Tax Date;
- (iii) requesting the Company to withhold from those Shares that would otherwise be received upon exercise of the Option or SAR, upon the lapse of restrictions on Restricted Stock, or upon the transfer of Shares, a number of Shares having a Fair Market Value on the Tax Date equal to the amount to be withheld; or
- (iv) withholding from any other compensation otherwise due to the Grantee.

The Committee in its sole discretion may provide that the maximum amount of tax withholding upon exercise of an Option or SAR, upon the lapse of restrictions on Restricted Shares, or upon the transfer of Shares, to be satisfied by withholding Shares upon exercise of such Option or SAR, upon the lapse of restrictions on Restricted Shares, or upon the transfer of Shares, pursuant to clause (iii) above shall not exceed the minimum amount of taxes, including FICA taxes, required to be withheld under federal, state and local law that will not result in adverse financial accounting consequences with respect to such Awards and is permitted under applicable withholding rules promulgated by the Internal Revenue Service or another applicable governmental entity. An election by Grantee under this subsection is irrevocable. Any fractional share amount and any additional withholding not paid by the withholding or surrender of Shares must be paid in cash. If no timely election is made, the Grantee must deliver cash to satisfy all tax withholding requirements.

(b) Notwithstanding the foregoing, any Grantee who makes a Disqualifying Disposition or an election under Section 83(b) of the Code shall remit to the Company an amount, if any, sufficient to satisfy all resulting tax withholding requirements in the same manner as set forth in subsection (a) (other than (a)(iii) above).

16.2 Notification under Code Section 83(b). If the Grantee, in connection with the exercise of any Option, or the grant of Restricted Shares, makes the election permitted under Section 83(b) of the Code to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, then such Grantee shall notify the Company of such election within 10 days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. The Committee may, in connection with the grant of an Award or at any time thereafter, prohibit a Grantee from making the election described above.

Article 17 **Limitation on Benefits**

Despite any other provisions of this Plan to the contrary, if the receipt of any payments or benefits under this Plan, alone or in combination with any other payments or distributions under any other plan, agreement or arrangement, would subject a Grantee to tax under Code Section 4999, the Committee may determine whether some amount of such payments or benefits would meet the definition of a "Reduced Amount." If the Committee determines that there is a Reduced Amount, the total payments or benefits to the Grantee under all Awards must be reduced to such Reduced Amount, but not below zero, with the amounts to be reduced so as to maximize the aggregate Net After Tax Receipts to the Grantee; provided, that, notwithstanding the foregoing, payments or benefits that are not subject to Section 409A of the Code shall be reduced before any payment or benefits that are subject to Section 409A of the Code and all such reductions shall comply with Section 409A of the Code with respect to any amounts subject to Section 409A of the Code. If the Committee determines that the benefits and payments must be reduced to the Reduced Amount, the Company must promptly notify the Grantee of that determination, with a copy of the detailed calculations by the Committee. All determinations of the Committee under this Article 17 are final, conclusive and binding upon the Company and the Grantee. It is the intention of the Company and the Grantee to reduce the payments under this Plan only if the aggregate Net After Tax Receipts to the Grantee would thereby be increased. As result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Committee under this Article 17, however, it is possible that amounts will have been paid under the Plan to or for the benefit of a Grantee which should not have been so paid ("Overpayment") or that additional amounts which will not have been paid under the Plan to or for the benefit of a Grantee could have been so paid ("Underpayment"), in each case consistent with the calculation of the Reduced Amount. If the Committee, based either upon the assertion of a deficiency by the Internal Revenue Service against the Company or the Grantee, which the Committee believes has a high probability of success, or controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment must be treated for all purposes as a loan, to the extent permitted by Applicable Law, which the Grantee must repay to the Company together with interest at the applicable federal rate under Code Section 7872(f) (2); provided, however, that no such loan may be deemed to have been made and no amount shall be payable by the Grantee to the Company if and to the extent such deemed loan and payment would not either reduce the amount on which the Grantee is subject to tax under Code Section 1, 3101 or

4999 or generate a refund of such taxes. If the Committee, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, the Committee must promptly notify the Company of the amount of the Underpayment, which then shall be paid promptly to the Grantee but no later than the end of the Grantee's taxable year next following the Grantee's taxable year in which the determination is made that the underpayment has occurred. For purposes of this Article 17, (i) "Net After Tax Receipt" means the Present Value of payments and benefits under this Plan and any other plan, agreement or arrangement, net of all taxes imposed on Grantee with respect thereto under Code Sections 1, 3101 and 4999, determined by applying the highest marginal rate under Code Section 1 which applies to the Grantee's taxable income for the applicable taxable year; (ii) "Present Value" means the value determined in accordance with Code Section 280G(d)(4) and (iii) "Reduced Amount" means the smallest aggregate amount of all payments and benefits under this Plan and any other plan, agreement or arrangement, which (a) is less than the sum of all such payments and benefits under this Plan and any other plan, agreement or arrangement, and (b) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if the aggregate payments and benefits under this Plan and any other plan, agreement or arrangement, were any other amount less than the sum of all payments and benefits to be made under this Plan. Any reduction of payments or benefits pursuant to this Article 17 shall be made in the following order (first against any such items that are not subject to Section 409A of the Code): (i) first against any cash compensation in order of the latest amounts to be paid and otherwise on a pro rata basis, (ii) second against any benefits otherwise payable in order of the latest amounts to be delivered and otherwise on a pro rata basis; and (iii) third against any equity or related awards in order of the latest amounts to be settled and otherwise on a pro rata basis.

Article 18 **Additional Provisions**

18.1 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

18.2 Severability. If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

18.3 Requirements of Law. The granting of Awards and the delivery of Shares under the Plan shall be subject to all Applicable Laws, rules, and regulations, and to such approvals by any governmental agencies or Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted as may be required. Notwithstanding any provision of the Plan or any Award, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company (and any Affiliate) shall not be obligated to deliver any Shares or deliver benefits to a Grantee, if such exercise or delivery would constitute a violation by the Grantee or the Company of any Applicable Law or regulation.

18.4 Securities Law Compliance.

- (a) If the Committee deems it necessary to comply with any Applicable Law, the Committee may impose any restriction on Awards or Shares acquired pursuant to Awards under the Plan as it may deem advisable. In addition, if requested by the Company and any underwriter engaged by the Company, Shares acquired pursuant to Awards may not be sold or otherwise transferred or disposed of for such period following the date of the final prospectus or prospectus supplement relating to an underwritten public offering as the Company or such underwriter shall specify reasonably and in good faith. All certificates for Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the SEC, Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted, any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. If so requested by the Company, the Grantee shall make a written representation to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act and any applicable state securities law or unless he or she shall have furnished to the Company, in form and substance satisfactory to the Company, that such registration is not required.
- (b) If the Committee determines that the exercise or non-forfeitability of, or delivery of benefits pursuant to, any Award would violate any Applicable Law or result in the imposition of excise taxes on the Company or its Affiliates under the statutes, rules or regulations of any applicable jurisdiction, then the Committee may postpone any such exercise, non-forfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, non-forfeitability or delivery to comply with all such provisions at the earliest practicable date.
- (c) The Committee may require each Grantee receiving Shares pursuant to an Award under the Plan to represent to and agree with the Company in writing that the Grantee is acquiring the Shares without a view to distribution thereof. In addition to any legend required by the Plan, the certificates for such Shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer. All certificates for Shares delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the SEC, Nasdaq and any other stock exchange or automated quotation system upon which the Shares are listed or quoted, any applicable federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
- (d) A Grantee shall be required to supply the Company with certificates, representations and information that the Company requests and otherwise cooperate with the Company in obtaining any listing, registration, qualification, exemption, consent or approval the Company deems necessary or appropriate.
-

18.5 Awards Subject to Share Retention Guidelines and Claw-Back Policies. Notwithstanding any provisions herein to the contrary, (i) Shares acquired by a Grantee under the Plan upon the exercise, payment or settlement of an Award shall be subject to the terms of any Share retention guidelines currently in effect or subsequently adopted by the Board and (ii) all Awards granted hereunder shall be subject to the terms of any recoupment policy currently in effect or subsequently adopted by the Board to implement Section 304 of Sarbanes-Oxley, Dodd-Frank or Section 10D of the Exchange Act (or with any amendment or modification of such recoupment policy adopted by the Board) to the extent that such Award (whether or not previously exercised or settled) or the value of such Award is required to be returned to the Company pursuant to the terms of such recoupment policy.

18.6 No Rights as a Stockholder. Unless otherwise determined by the Committee and set forth in the Award Agreement, no Grantee shall have any rights as a stockholder of the Company with respect to the Shares (other than Restricted Shares) which may be deliverable upon exercise or payment of such Award until such Shares have been delivered to him or her. Restricted Shares, whether held by a Grantee or in escrow by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. At the time of grant of an Award, the Committee will require the payment of cash dividends thereon to be deferred and, if the Committee so determines, reinvested in additional Awards. Stock dividends and deferred cash dividends issued with respect to Awards shall be subject to the same restrictions and other terms as apply to the Awards with respect to which such dividends are issued. The Committee may in its discretion provide for payment of interest on deferred cash dividends.

18.7 Employee Status. If the terms of any Award provide that it may be exercised or paid only during employment or continued service or within a specified period of time after termination of employment or continued service, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous employment or service. For purposes of the Plan, employment and continued service shall be deemed to exist between the Grantee and the Company and/or an Affiliate if, at the time of the determination, the Grantee is a director, officer, employee, consultant or advisor of the Company or an Affiliate. A Grantee on military leave, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of the Plan during such leave if the period of leave does not exceed three months, or, if longer, so long as the individual's right to re-employment with the Company or any of its Affiliates is guaranteed either by statute, agreement or contract. If the period of leave exceeds three months, and the individual's right to re-employment is not guaranteed by statute, agreement or contract, the employment shall be deemed to be terminated on the first day after the end of such three-month period. Except as may otherwise be expressly provided in an Agreement, Awards granted to a director, officer, employee, consultant or adviser shall not be affected by any change in the status of the Grantee so long as the Grantee continues to be a director, officer, employee, consultant or advisor to the Company or any of its Affiliates (regardless of having changed from one to the other or having been transferred from one entity to another). The Grantee's employment or continued service shall not be considered interrupted in the event the Committee, in its discretion and as specified at or prior to such occurrence, determines there is no interruption in the case of a spin-off, sale or disposition of the Grantee's employer from the Company or an Affiliate, except that if the Committee does not otherwise specify such at or prior to such occurrence, the Grantee will be deemed to have a termination of employment or

continuous service to the extent the Affiliate that employs the Grantee is no longer the Company or an entity that qualifies as an Affiliate. With respect to any Award constituting deferred compensation with the meaning of Code Section 409A, nothing in this Section 18.7 shall be interpreted to modify the definition of Separation from Service.

18.8 Nature of Payments. Unless otherwise specified in the Award Agreement, Awards shall be special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit sharing, bonus, insurance or other employee benefit plan of the Company or any Affiliate, except as such plan shall otherwise expressly provide, or (b) any agreement between (i) the Company or any Affiliate and (ii) the Grantee, except as such agreement shall otherwise expressly provide.

18.9 Non-Exclusivity of Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for employees or Non-Employee Directors as it may deem desirable.

18.10 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of South Carolina, other than its laws respecting choice of law, to the extent not preempted by federal law.

18.11 Jurisdiction; Waiver of Jury Trial. Any suit, action or proceeding with respect to the Plan or any Award, or any judgment entered by any court of competent jurisdiction in respect of any thereof, shall be resolved only in the courts of the State of South Carolina or the United States District Court for the State of South Carolina and the appellate courts having jurisdiction of appeals in such courts. In that context, and without limiting the generality of the foregoing, the Company and each Grantee shall irrevocably and unconditionally (a) submit in any proceeding relating to the Plan or any Award Agreement, or for the recognition and enforcement of any judgment in respect thereof (a "Proceeding"), to the exclusive jurisdiction of the courts of the State of South Carolina, the court of the United States of America for the State of South Carolina, and appellate courts having jurisdiction of appeals from any of the foregoing, and agree that all claims in respect of any such Proceeding shall be heard and determined in such South Carolina State court or, to the extent permitted by law, in such federal court, (b) consent that any such Proceeding may and shall be brought in such courts and waives any objection that the Company and each Grantee may now or thereafter have to the venue or jurisdiction of any such Proceeding in any such court or that such Proceeding was brought in an inconvenient court and agree not to plead or claim the same, (c) waive all right to trial by jury in any Proceeding (whether based on contract, tort or otherwise) arising out of or relating to the Plan or any Award Agreement, (d) agree that service of process in any such Proceeding may be effected by mailing a copy of such process by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such party, in the case of a Grantee, at the Grantee's address shown in the books and records of the Company or, in the case of the Company, at the Company's principal offices, attention General Counsel, and (e) agree that nothing in the Plan shall affect the right to effect service of process in any other manner permitted by the laws of the State of South Carolina.

18.12 Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an “unfunded” plan for incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Grantee any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company’s obligations under the Plan to deliver cash, Shares or other property pursuant to any Award which trusts or other arrangements shall be consistent with the “unfunded” status of the Plan unless the Committee otherwise determines.

18.13 Participation. No employee or officer shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award.

18.14 Military Service. Awards shall be administered in accordance with Section 414(u) of the Code and the Uniformed Services Employment and Reemployment Rights Act of 1994.

18.15 Construction. The following rules of construction will apply to the Plan: (a) the word “or” is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural and words in the plural include the singular.

18.16 Other Benefits. No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation unless such retirement or other benefit specifically provides that an Award shall be counted as compensation for purposes of such plan.

18.17 Death/Disability. The Committee may in its discretion require the transferee of a Grantee to supply it with written notice of the Grantee’s death or Disability and to supply it with a copy of the will (in the case of the Grantee’s death) or such other evidence as the Committee deems necessary to establish the validity of the transfer of an Award. The Committee may also require that the agreement of the transferee to be bound by all of the terms and conditions of the Plan and the particular Award.

18.18 Headings. The headings of articles and sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

18.19 Obligations. Unless otherwise specified in the Award Agreement, the obligation to deliver, pay or transfer any amount of money or other property pursuant to Awards under this Plan shall be the sole obligation of a Grantee’s employer; provided that the obligation to deliver or transfer any Shares pursuant to Awards under this Plan shall be the sole obligation of the Company.

18.20 No Right to Continue in Service or Employment. Nothing in the Plan or any Award Agreement shall confer upon any Non-Employee Director the right to continue to serve as a director of the Company. Nothing contained in the Plan or any Agreement shall confer upon any Grantee any right with respect to the continuation of employment or service by the Company or any Affiliate or interfere in any way with the right of the Company or any Affiliate, subject to the

terms of any separate employment agreement to the contrary, at any time to terminate such employment or service or to increase or decrease the compensation of the Grantee.

18.21 Payment on Behalf of Grantee or Beneficiary.

- (a) If the Grantee is incompetent to handle Grantee's affairs at the time the Grantee is eligible to receive a payment from the Plan, the Committee will make payment to the Grantee's court-appointed personal representative or, if none, the Committee, in its sole discretion, may make payment to the Grantee's duly appointed guardian, legal representative, next-of-kin or attorney-in-fact for the benefit of the Grantee.
- (b) If the Beneficiary of a deceased Grantee is a minor or is legally incompetent, the Committee will make payment to the Beneficiary's court-appointed guardian or personal representative or to a trust established for the benefit of the Beneficiary, or if no such guardian, representative or trust exists, the Committee, in its sole discretion, may make payment to the Beneficiary's surviving parent or his or her next-of-kin for the benefit of the Beneficiary.
- (c) If the Committee for any reason considers it improper to direct any payment as specified in this Section 18.21, the Committee may request a court of appropriate jurisdiction to determine the appropriate payee.
- (d) Any payment made by the Committee pursuant to this Section 18.21 shall be in full satisfaction of all liability of the Plan, the Company and its Affiliates with respect to any benefit due a Grantee or a Grantee's Beneficiary under this Plan.

18.22 Data Privacy. As a condition for receiving an Award, each Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section by and among the Company and its Affiliates exclusively for implementing, administering and managing the Grantee's participation in the Plan. The Company and its Affiliates may hold certain personal information about a Grantee, including the Grantee's name, address and telephone number; birthdate; social security, insurance number or other identification number; salary; nationality; job title(s); any Shares held in the Company or its Affiliates; and Award details, to implement, manage and administer the Plan and Awards (the "Data"). The Company and its Affiliates may transfer the Data amongst themselves as necessary to implement, administer and manage a Grantee's participation in the Plan, and the Company and its Affiliates may transfer the Data to third parties assisting the Company with Plan implementation, administration and management. These recipients may be located in the Grantee's country, or elsewhere, and the Grantee's country may have different data privacy laws and protections than the recipients' country. By accepting an Award, each Grantee authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, to implement, administer and manage the Grantee's participation in the Plan, including any required Data transfer to a broker or other third party with whom the Company or the Grantee may elect to deposit any Shares. The Data related to a Grantee will be held only as long as necessary to implement, administer, and manage the Grantee's participation in the Plan. A Grantee may, at any time, view the Data that the Company holds regarding such Grantee, request additional information about the storage and processing of the Data regarding such Grantee, recommend any necessary corrections to the Data regarding the Grantee or refuse or

withdraw the consents in this Section 18.22 in writing, without cost, by contacting the local human resources representative. The Company may cancel Grantee's ability to participate in the Plan and, in the Committee's discretion, the Grantee may forfeit any outstanding Awards if the Grantee refuses or withdraws the consents in this Section 18.22. For more information on the consequences of refusing or withdrawing consent, Grantees may contact their local human resources representative.

18.23 Miscellaneous.

(a) No person shall have any claim or right to receive an Award hereunder. The Committee's granting of an Award to a Grantee at any time shall neither require the Committee to grant any other Award to such Grantee or other person at any time or preclude the Committee from making subsequent grants to such Grantee or any other person.

(b) Nothing contained herein prohibits the Grantee from: (1) reporting possible violations of federal law or regulations, including any possible securities laws violations, to any governmental agency or entity; (2) making any other disclosures that are protected under the whistleblower provisions of federal law or regulations; or (3) otherwise fully participating in any federal whistleblower programs, including but not limited to any such programs managed by the SEC. The Grantee does not need prior authorization from the Company to make any such reports or disclosures, and is not required to notify the Company about such disclosures.

(c) Agreements evidencing Awards under the Plan shall contain such other terms and conditions, not inconsistent with the Plan, as the Committee may determine in its sole discretion, including penalties for the commission of competitive acts or other actions detrimental to the Company. Notwithstanding any other provision hereof, the Committee shall have the right at any time to deny or delay a Grantee's exercise of Options or the settlement of an Award if such Grantee is reasonably believed by the Committee (i) to be engaged in material conduct adversely affecting the Company or (ii) to be contemplating such conduct, unless and until the Committee shall have received reasonable assurance that the Grantee is not engaged in, and is not contemplating, such material conduct adverse to the interests of the Company.

(d) Grantees are and at all times shall remain subject to the securities trading policies adopted by the Company from time to time throughout the period of time during which they may exercise Options, SARs or sell Shares acquired pursuant to the Plan.

(e) Notwithstanding any other provision of this Plan, (i) the Company shall not be obliged to issue any shares pursuant to an Award unless at least the par value of such newly issued share has been fully paid in advance to the extent required by Applicable Law (which requirement may mean the holder of an Award is obliged to make such payment) and (ii) the Company shall not be obliged to issue or deliver any shares in satisfaction of Awards until all legal and

regulatory requirements associated with such issue or delivery have been complied with to the satisfaction of the Committee.

(f) The Committee has no obligation to search for the whereabouts of any Grantee or Beneficiary if the location of such Grantee or Beneficiary are not made known to the Committee.

(g) Notwithstanding any other provision of the Plan or any Agreement to the contrary, a Grantee shall forfeit any and all rights under an Award upon receipt of notice from the Company or an Affiliate that the Grantee will incur a Termination of Service by the Company or such Affiliate for Cause.

ScanSource, Inc. Management Incentive Plan

Introduction. ScanSource, Inc. (the “Company”) has adopted this ScanSource, Inc. Management Incentive Plan (the “Plan”) for the benefit of the eligible participants described herein to permit the grant of cash bonus awards, the payment of which will depend upon achievement of stated financial and other objectives of the Company and/or its affiliates. The Plan shall remain in effect, subject to the right of the Compensation Committee of the Board of Directors of the Company (the “Committee”) to amend or terminate the Plan at any time.

Administration of the Plan. The Committee shall administer the Plan and shall have the full power and authority to approve the participants who will receive bonus awards under the Plan for any fiscal year of the Company or otherwise, establish the terms of each bonus award, and make any and all other determinations that may be necessary or desirable for the effective administration of the Plan. Any decision or interpretation of any provision of this Plan adopted by the Committee shall be final, binding and conclusive for all purposes upon all persons.

Eligibility. Participation in the Plan is limited to elected officers of the Company.

Establishment of Bonus Awards. For any designated performance period of the Company, the Committee may approve one or more bonus awards to selected participants. In that event, the Committee will establish for each participant:

- i. The target bonus award, as a percentage of the participant’s base salary for the fiscal year, that the participant will be eligible to receive if the stated financial and other objectives of the Company and/or its affiliates are achieved;
- ii. The maximum bonus award that the participant will be eligible to receive;
- iii. The stated financial and other objectives of the Company and/or its affiliates that must be achieved for the bonus award to become payable to the participant and the stated weighting percentage assigned to each such objective;
- iv. The individual performance objectives, if any, that must be achieved for the bonus award to become payable to the participant; and
- v. Any other terms and conditions of the bonus awards that the Committee may designate.

The stated financial and other objectives of the Company and/or its affiliates may include any corporate performance measures of the Company and/or its affiliates that the Committee may designate. Notwithstanding the foregoing, the Committee, in its sole discretion, may adjust the performance objectives in the event of any (i) unanticipated asset write-downs or impairment charges, (ii) litigation or claim judgments or settlements thereof, (iii) changes in tax laws, accounting principles or other laws or provisions affecting reported results, (iv) accruals for reorganization or restructuring programs, (v) unbudgeted acquisitions or divestitures or (vi) any other extraordinary non-reoccurring item or unexpected fundamental changes in the business of the Company and/or its affiliates as necessary to fairly and equitably determine the amount of any bonus award and to prevent any inappropriate enlargement or dilution of such benefit.

Determination of Bonus Awards. No later than the 15th day of the third month following the end of the performance period for which the bonus awards relate, the Committee shall certify in writing the stated financial and other objectives that have been achieved and the amount of the bonus award that is payable. The Committee may adjust any bonus award, to increase or decrease the amount payable based on the stated financial and other objectives that have been achieved, for the participant’s individual performance objectives, if any, or for any other reason the Committee, in its sole discretion, may determine appropriate; provided, however, notwithstanding any other provision of the Plan, the participant’s bonus award may not exceed the participant’s maximum bonus award for the Company’s fiscal year. Any reduction of a participant’s bonus award shall be at the sole and absolute discretion of the Committee.

Payment of Bonus Awards. Bonus awards shall be paid no later than the 15th day of the third month following the end of the performance period to which the bonus award relates; except that, unless otherwise set forth in this Plan, bonus awards shall not be paid to any participant who terminates employment with the Company and its affiliates before the bonus award is paid. Notwithstanding the foregoing, a participant who terminates employment before the bonus award is paid shall be eligible to receive payment, notwithstanding participant’s termination of employment, if and to the extent set forth in any other agreement relating to the participant’s employment that

provides for payments of any bonuses under this Plan on and after termination of the participant's employment. All bonus awards will be paid in a single lump sum in cash, net of any amounts, including taxes, required to be withheld by applicable laws. Payments owed to the participant after participant's death shall be made to the person or entity designated by the participant in writing prior to the participant's death. If the participant dies without a valid beneficiary designation (as determined by the Committee), the participant's beneficiary shall be the participant's surviving spouse, if any, or, if there is no surviving spouse, the participant's estate. Bonus awards will be paid by the Company or affiliate that employs the participant at the time of payment.

Supplemental Bonuses. In addition to the foregoing, the Committee, at any time and from time to time, may grant other cash bonus awards to officers of the Company and its affiliates in such amounts and upon such terms, including without limitation the achievement of specific performance goals or the occurrence of other events, as the Committee may determine. Payment of such cash bonus award will be made no later than the 15th day of the third month following the end of the taxable year of the participant or the fiscal year of the Company during which the participant's rights to the payment become vested and non-forfeitable.

Amendment of the Plan. The Committee in its sole discretion may at any time amend or terminate the Plan in whole or in part, except that no such amendment or termination can adversely impact any outstanding bonus awards at the time of such amendment or termination.

Section 409A. Bonus awards under the Plan are intended to qualify as "short-term deferrals" that are exempt from the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). Notwithstanding the foregoing, neither the Company nor any affiliate shall be liable to any participant or other person if the Internal Revenue Service or any court or other authority having jurisdiction over such matter determines for any reason that any bonus award made under this Plan is subject to taxes, penalties or interest as a result of failing to comply with Section 409A of the Code.

Other Important Terms. Participants and their beneficiaries, heirs, successors and assigns do not have any legal or equitable rights, interests, or other claim in any property or assets of the Company and its affiliates as a result of any bonus awards under the Plan. Each participant is an unsecured creditor with respect to any bonus award. Neither the participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable under any bonus award, which are, and all rights to which are, expressly declared to be unassignable and nontransferable, except by will or by the laws of descent and distribution on the death of the participant. Nothing contained in this Plan nor any bonus award shall be construed as a contract of employment or as giving any participant or any former participant any right to be retained in the employ of the Company or any affiliate or to receive or continue to receive any rate of pay or other compensation, nor shall it interfere in any way with the right of the Company or any affiliate to terminate the participant's employment at any time with or without assigning a reason therefore. This Plan and all bonus awards under the Plan shall be governed and construed in accordance with the laws of the State of South Carolina, other than its laws respecting choice of law, to the extent not preempted by federal law. Notwithstanding any provisions herein to the contrary, all cash bonus awards or amounts payable under this Plan, and any payments made previously under the Plan, are subject to the terms of any recoupment policy of the Company as in effect as of the date hereof or as subsequently amended or adopted by the Company. No payments may be made under the Plan except in compliance with all applicable laws and regulations (including, without limitation, withholding tax requirements) and the listing agreements and rules of all domestic stock exchanges on which the Company's shares of stock may be listed.

AMENDMENT NO. 20 TO THE NONEXCLUSIVE VALUE ADDED DISTRIBUTOR AGREEMENT

This Amendment No. 20 (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 Delaware 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 have previously entered into the Nonexclusive Value Added Distributor Agreement dated January 22, 2007, as amended (the "Agreement"); and

WHEREAS, Cisco and Distributor would like to amend the Agreement to extend the term of the Agreement;

NOW THEREFORE, the parties agree to amend the Agreement as follows:

1. The term of the Agreement is hereby renewed until July 30, 2023, 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. To the extent that there is conflict between the Agreement and this Amendment, the terms of this Amendment shall take precedence over the terms and conditions of the Agreement with regards to the subject matter described herein.

3. Any terms not defined in this Amendment shall have the meaning stated in the Agreement. All other terms and conditions of the Agreement remain unchanged and in full force and effect.

(Signature page to follow)

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.

Scansource, Inc. ("Distributor")	Cisco Systems, Inc. ("Cisco")
<hr/>	<hr/>
/s/ KRISTIN HILL	/s/ JENNIFER PATE
Authorized Signature	Authorized Signature
Kristin Hill	Jenn pate4
<hr/>	<hr/>
Print Name	Print Name
Vice President	Authorized Signatory
<hr/>	<hr/>
Title	Title
7/13/23	July 17, 2023
<hr/>	<hr/>
Date	Date

AMENDMENT NO. 21 TO THE NONEXCLUSIVE VALUE ADDED DISTRIBUTOR AGREEMENT

This Amendment No. 21 (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 Delaware 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 have previously entered into the Nonexclusive Value Added Distributor Agreement dated January 22, 2007, as amended (the "Agreement"); and

WHEREAS, Cisco and Distributor would like to amend the Agreement to extend the term of the Agreement and to reflect certain changes;

NOW THEREFORE, the parties agree to amend the Agreement 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. The parties agree that only Products identified as eligible for stock rotation as published in the applicable, then-current Distribution Pricing Plus file located at https://tools.cisco.com/lpc/currentPL.faces?localeChanged=en_US are eligible for return pursuant to Section 12.0 (Inventory Balancing).

3. The Agreement is further amended by deleting Section 5.0 (Shipping and Delivery) in its entirety and replacing it with the following:

5.0 Shipping and Delivery

5.1 Scheduled shipping dates will be assigned by Cisco as close as practicable to Distributor's requested date based on Cisco's then-current lead times for the Products. Cisco will communicate scheduled shipping dates in the order acknowledgement or on Cisco.com.

5.2 Shipping options available as well as applicable shipment terms (per Incoterms 2010) are set forth in the Shipping Terms Exhibit available at https://www.cisco.com/web/fw/tools/commerce/ngorder/doc/Standard_Shipping_Exhibit.pdf (the "Shipping Terms Exhibit"). The selected shipping option shall be indicated on the Purchase Order. Where applicable, Distributor shall pay the shipping and handling charges in addition to the purchase price for the Products, which will be included in remittance and/or commercial invoices issued by Cisco. Title and risk of loss shall transfer from Cisco to Distributor and delivery shall be deemed to occur in accordance with the Shipping Terms Exhibit. Distributor shall be responsible for all freight, handling, and insurance charges subsequent to delivery.

5.3 Where Distributor places orders on any Cisco Affiliate other than Cisco, Distributor shall pay any invoices issued by such entity with respect to such orders and the delivery terms agreed with such entity shall apply. Different shipping terms may apply to such Purchase Orders as set forth in the Shipping Terms Exhibit or otherwise as set out on Cisco.com.

5.4 Distributor shall assume responsibility for compliance with applicable export laws and regulations, including the preparation and filing of shipping documentation necessary for export clearance. This also applies in cases where Distributor requests in its Purchase Order delivery of Products to Distributor's forwarding agent or another representative in the country of shipment. Distributor agrees not to use any export licenses owned by Cisco or any of its Affiliates. For shipments under FCA as per the Shipping Terms Exhibit, Distributor specifically agrees to provide Cisco with the complete name and address of each End User either (a) in the Purchase Order issued, or (b) in writing within five days of receiving a request by Cisco, and other information required under this Agreement or requested by Cisco. Export clearance will ensure utilizing Cisco's general global export licenses or in the case a general global license does not include the listed End User destination, then individual export licenses must be obtained prior to export. Distributor accepts any additional delays caused by the export licensing process as well as delays to comply with conditions of the individual export license.

5.5 CISCO SHALL NOT BE LIABLE FOR ANY LOSS, DAMAGE, OR PENALTY FOR DELAY IN DELIVERY OR FOR FAILURE TO GIVE NOTICE OF ANY DELAY. EXCEPT IN ACCORDANCE WITH THE APPLICABLE SHIPPING TERMS SET FORTH IN THIS AGREEMENT, CISCO SHALL NOT HAVE ANY

LIABILITY IN CONNECTION WITH SHIPMENT, NOR SHALL THE CARRIER BE DEEMED TO BE AN AGENT OF CISCO.

5.6 All sales are final. Except as provided in Cisco's warranty statements, Cisco does not accept returns unless (i) Cisco shipped a Product other than as specified in the Purchase Order, and (ii) such Product is unopened, and (iii) the Product is returned in accordance with Cisco's then-current RMA policy and procedures.

5.7 Carriers. Unless given written instructions by Distributor, Cisco shall select the carrier. Notwithstanding the foregoing, in no event shall Cisco have any liability in connection with shipment, nor shall the carrier be deemed an agent of Cisco. If Distributor requests delivery of Products to Distributor's forwarding agent or other representative in the country of shipment, Distributor shall assume responsibility for compliance with applicable export laws and regulations, including the preparation and filing of shipping documentation necessary for export clearance.

4. The Agreement is further amended by deleting Section 7.0 in its entirety and replacing it with the following:

7.1 Price Decreases. If Cisco puts into effect a general price decrease for any Product from the Wholesale Price List, or such other price list as Distributor may have ordered from, Cisco will provide to Distributor a price credit on any such Product on order, in transit, or in Distributor's inventory as of the effective date of the price decrease, provided that the price credit for such Product in inventory or in transit shall not exceed the dollar value of shipments of that Product (measured by the appropriate SKU) to Distributor over the preceding forty-five (45) days. Cisco will credit Distributor's account with an amount equal to the number of units of such Product in Distributor's inventory and in transit on the effective date of a price decrease multiplied by the difference between the net price paid and the new net price. Distributor will have thirty (30) days from the effective date of the price change to exercise protection under this program by issuing a request for credit memo with supporting documentation to Cisco. Claims for price protection submitted more than thirty (30) days from the effective date of a price decrease will be rejected, unless otherwise agreed by the parties. Notwithstanding the foregoing, Product on order will receive an automatic retroactive price credit. The only inventoried Product covered under this price protection clause is Product that has been identified by Distributor to Cisco in the monthly inventory reports required in Section 17 of the Agreement, excluding any Product not procured from an Approved Source as required by the Agreement. Cisco will use commercially reasonable efforts to notify Distributor of decreases in pricing.

7.2 Price Increases. If Cisco puts into effect a general price increase (the "Price Increase") for any Product from the Wholesale Price List, or such other Price List

as Distributor may have ordered from, Cisco will debit Distributor for any overpayment of backend rebate claims as a result of the Price Increase.

5. The Agreement is further amended by adding new Section 11.4:

If Distributor acquires, uses, promotes, or resells Non-Genuine Products, Cisco may take one or more of the following actions, at Cisco's discretion: (i) invoice Distributor for all reasonable costs associated with any audit pursuant to Section 17.0 below, and/or (ii) require Distributor, within ten days of Cisco's request, to recall and destroy all Non-Genuine Products that Distributor has sold and replace such products with legitimate, equivalent Products at Distributor's expense, (iii) require Distributor, within five calendar days of receiving Cisco's written request, to provide Cisco with all details related to Distributor's acquisition of all Non-Genuine Products, including without limitation, its suppliers, shipping details, and all buyers to whom Distributor resold Non-Genuine Products, and (iv) terminate this Agreement by notice with immediate effect.

6. The Agreement is further amended by deleting Sections 17.1, 17.2, and 17.3 in their entirety, replacing them with the following, and adding new Section 17.4:

17.1 Reports by Cisco. Cisco shall, if requested by Distributor, render monthly reports to Distributor setting forth the separate Product, dollars invoiced for each Product, and total dollars invoiced to Distributor for the month, and such other information as Distributor may reasonably request.

17.2 Record-Keeping and Audit. Distributor will keep full, true, and accurate records and accounts, in accordance with generally accepted accounting principles, of each Product or Service distributed, by serial number, including information regarding compliance with Cisco marketing and sales programs, Software usage, and export or transfer. Distributor shall make these records available for audit by or on behalf of Cisco upon seven days' prior written notice, during regular business hours, at Distributor's principal place of business or such other of Distributor's locations where Distributor may maintain relevant records. For the purposes of ensuring compliance with the terms of this Agreement, Distributor shall allow Cisco access to all relevant premises owned, controlled, or used by Distributor. If Cisco requires information from an Authorized Channel to which Distributor asserts it has Resold Cisco Products or Services, Distributor agrees to use all reasonable efforts to assist Cisco to obtain such information. Distributor will also allow Cisco or its independent auditors to examine Distributor's inventories of Product for the purpose of verifying, to Cisco's satisfaction, that Distributor is performing its obligations under this Agreement.

Distributor additionally acknowledges that from time to time Cisco or its independent auditors may conduct additional specific audits with the purpose of monitoring and ensuring compliance by Distributor with Cisco's policies and applicable laws. Such audits may include, without limitation, investigations in order

to prevent the acquisition, use, promotion or resale of Unauthorized or Non-Genuine Products. When requested, Distributor shall cooperate with Cisco or its appointed auditors or investigators, and provide them with accurate and truthful information. In all cases, Distributor agrees to bear, and/or promptly repay to Cisco, all costs, fees and expenses, incurred by Cisco in the performance of any audit and/or investigation that discloses any breach of this Agreement by Distributor.

In conjunction with Cisco's policies, Cisco may perform audits of the Distributor's results and balances, including, but not limited to, Point-Of-Service (POS) data validation, POS recognition timing, physical inventory quantification, and reporting accuracy. Distributor will work with Cisco or its agent or designate and provide all appropriate information to conduct such audits.

17.3 Reporting.

Distributor will use best efforts to render daily sales out (point of sale or POS) reports through the DCA tool or through a mutually agreed upon B2B format, or as otherwise agreed upon with Cisco. Such reports must be rendered at least on a weekly basis, or as otherwise agreed upon with Cisco. Detailed reporting requirements are included in Exhibit K (Detailed Reporting Requirements), which is attached hereto and incorporated by reference into the Agreement.

Distributor will use best efforts to provide daily inventory reports in the same format as sales-out reports. Such reports must be rendered at least on a weekly basis, or as otherwise agreed upon with Cisco. Detailed reporting requirements are included in Exhibit K (Detailed Reporting Requirements). The provisions of Section 7.0 (Price Protection), Section 12.0 (Inventory Balancing), Section 18.8, and such other provisions expressly set forth in the attached Exhibits are contingent upon the receipt of regular, timely point-ofsale (POS) and inventory reports from Distributor. Cisco's obligation under these provisions is null and void if the reports required to validate Distributor's requests under those provisions are not provided to Cisco at the time of such request.

17.4 Forecasting. Distributor will provide detailed forecasting information on a weekly, monthly, and quarterly basis on new bookings and POS data.

7. The Agreement is further amended by adding new Section 28.4 as follows:

28.4 Incorrect Payments.

A. In a scenario where rebates were calculated and/or the rebate amount paid incorrectly, Cisco reserves the right to either request that Distributor return the rebate or reduce future rebates accordingly under any program in which Distributor is participating.

B. If bookings made in one quarter are booked or cancelled and credited in a subsequent quarter, those bookings or credits will decrease the total eligible bookings for that quarter and will result in a lower rebate payment. If in a subsequent quarter the total eligible bookings are negative because of bookings or credits, including in situations where rebates have previously been paid, Cisco will require Distributor to return those rebates, or reduce future rebates accordingly.

8. The Agreement is hereby further amended by adding the new Section 29.0 (Distributor Programs) to the Agreement:

29.0 Distributor Programs.

29.1 Invest Track (formerly Distributor Development Investment or DDI). Cisco provides to its distributors marketing development funding through which Cisco will compensate its distributors for mutually agreed upon activities aimed at

the creation of demand for Cisco Products and Services. If approved by Cisco, marketing and demand-generation activities, partner onboarding and activation, enablement and training, infrastructure support, and strategic incentives are eligible to be funded by Cisco under the Invest Track. Cisco will reimburse up to one hundred percent (100%) of costs for approved activities or milestones.

Distributor agrees to comply with all Invest Track terms and conditions located at: <https://www.cisco.com/c/en/us/partners/distributors/distributor-program.html>.

Distributor acknowledges and agrees that Cisco may modify or terminate the Invest Track program at any time, with no less than thirty (30) days' notice to Distributor. Invest Track funds may not be available in all theatres and the funding reserved by Cisco as part of Invest Track may vary by theatre. Cisco will provide reimbursement to Distributor after Cisco's receipt and review of the required supporting documentation. Cisco shall provide the terms and conditions of the Invest Track program for a particular Territory to Distributor, as applicable.

29.2 Grow Track (formerly Distributor Incentive Rebates or DIR). An incentive program, Grow Track, will be available to support and reward Distributor's strategic alignment with Cisco. Grow Track is a growth program based on the attainment of key sales, financial, or operational metrics that have been previously agreed upon between Cisco and Distributor. Program payouts will vary by theatre. Distributor agrees to comply with all Grow Track program terms and conditions located at: <https://www.cisco.com/c/en/us/partners/distributors/distributor-program.html>.

Distributor acknowledges and agrees that Cisco may modify or terminate the with no less than thirty (30) days' notice to Distributor; provided, however, that any Grow Track program previously approved by Cisco shall remain in full force and effect until completed by Distributor and paid by Cisco. The Grow Track program may not be available in all theatres. Cisco will make

Grow Track program at any time,

Grow Track program payouts available to Distributor within thirty (30) days after determination by Cisco of what Distributor's actual Grow Track program payout will be for any given period of time. The Grow Track Program terms and conditions are available at: <https://www.cisco.com/c/en/us/partners/distributors/distributorprogram.html#~grow-track-growing-2t-partners>. In order to be eligible for any Grow Track program payout in APJC or EMEAR, Distributor must meet the obligations noted in the Seal of Compliance, as well as the requirements outlined in the APJC Accreditation Playbook of either an Authorized, Accredited, or Specialized Distributor or the EMEAR Accreditation Playbook of Accredited Distributor, as applicable.

29.3 Distribution Sales Visibility ("DSV") Program. Exhibit L (Distribution Sales Visibility Program Terms and Conditions) attached hereto sets out the terms and conditions of Cisco's DSV program. Distributor must comply with the terms and conditions of the program in order to participate in the program.

29.4 Non-Stocking Order Programs. Distributor agrees that all non-stocking orders placed in the Territory must be transacted under the Net Pricing Program (as defined below) or using Cisco's Direct Value Add Distributor Program (also referred to as the "CBN" or Channels Booking Neutrality program) as described in Exhibit I.

i. Net Pricing Program. Cisco will make available a program for the purchase by Distributor of Products and Services to sell to Authorized Channels for resale to End Users where the Products will not be held by Distributor (or any other third party) for stocking purposes, as indicated on the applicable purchase order (the "Net Pricing Program"). Cisco will notify Distributor when the Net Pricing Program is available in the Territory.

A. Once the Net Pricing Program is available in the Territory, Distributor agrees to submit all non-stocking orders via the Net Pricing Program. Distributor purchases under the Net Pricing Program will be invoiced at the price listed on the applicable Price List less any applicable discounts. Orders must include the applicable Deal ID provided by Cisco. Any and all terms in the Agreement relating to back-end rebates, price protection, obsolete product returns, inventory balancing or stock rotation, and any associated Product return rights do not apply to Products and Services purchased through the Net Pricing Program. For the avoidance of doubt, the price invoiced under the Net Pricing Program is final, and Distributor is not eligible to receive any price adjustments through back-end rebates on purchases under the Net Pricing Program.

B. Distributor shall not purchase Product under the Net Pricing

Program for the purpose of stocking or replenishing inventory. Complete orders can be staged at Distributor's warehouse for no more than ninety (90) days but shall be kept physically separate from inventory ordered outside of the Net Pricing Program.

C. All sales made by Cisco under the Net Pricing Program are final. In addition, Distributor shall not fulfill Net Pricing Program orders from Distributor's inventory.

D. Products ordered by Distributor under the Net Pricing Program shall be reported separately and not be included in any reporting of Distributor inventory or Point of Sale reporting. Distributor agrees to submit to Cisco, upon request, documentation/reports related to any and all orders (including reporting of Products ordered under the Net Pricing Program held in Distributor warehouses for staging and sales-out reports) in the form and at the time(s) required by Cisco. Cisco reserves the right to request, and Distributor agrees to promptly furnish, any supporting documentation related to orders placed under the Net Pricing Program, including, without limitation, the purchase orders or purchase contracts between the Distributor and Reseller for the relevant Product contained in an order. Cisco's audit rights, as set forth in the Agreement, apply to purchases made by Distributor under the Net Pricing Program. If Cisco reasonably believes that Distributor has used the Net Pricing Program to procure inventory, or has otherwise abused the Net Pricing Program, Cisco may immediately terminate Distributor's participation in the Program. This termination right shall be in addition to any other rights and remedies of Cisco under the Agreement.

E. For each order submitted under the Net Pricing Program, Distributor shall, upon request from Cisco, submit to Cisco copies of the relevant shipping documents showing Distributor's shipment of the Product to either the applicable Authorized Channel or End User. Cisco acknowledges that, where Distributor is the importer of record, Distributor may need to perform staging activities as it relates to Product purchased under the Net Pricing Program.

F. Cisco will only accept returns for Products purchased via the Net Pricing Program as described in Section 5.5 (Warranty Support) of Exhibit B. For the avoidance of doubt, for any returns accepted by Cisco pursuant to Section 5.5 (Warranty Support) of Exhibit B, Distributor must provide Cisco with original sales order details, the serial number, and any other necessary information, so that Cisco

can verify net price accuracy prior to issuing Distributor credit for the return.

G. Participation in the Program is at Distributor's expense. Cisco will not be responsible for any costs incurred by Distributor as a result of the Program.

H. To the extent of any conflict between terms elsewhere in the Agreement and this Section 29.4, this Section 29.4 shall prevail with respect to the subject matter described herein.

I. Distributor acknowledges and agrees that Cisco may modify or terminate the Net Pricing Program at any time with no less than thirty (30) days' advance notice to Distributor. To the extent that there is conflict between the Agreement and this Amendment, the terms of this Amendment shall take precedence over the terms and conditions of the Agreement with regards to the subject matter described herein.

9. The Agreement is amended by deleting Exhibit B (Value Added Distributor Support Exhibit) in its entirety and replacing it with new Exhibit B (Distributor Support and Services Resale) as attached to this Amendment.

10. The Agreement is hereby amended by deleting Exhibit H (Distribution to Federal Government Terms) in its entirety and replacing it with new Exhibit H (Distribution to U.S. Federal Government) attached hereto.

11. The Agreement is hereby amended by deleting Exhibit I (Direct Value Add Distributor ("DVAD") Program Terms and Conditions) in its entirety and replacing it with new Exhibit I (Direct Value Add Distributor ("DVAD") Program Terms and Conditions) attached hereto.

12. Any terms not defined in this Amendment shall have the meaning stated in the Agreement. All other terms and conditions of the Agreement remain unchanged and in full force and effect.

(Signature page to follow)

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.

Scansource, Inc. ("Distributor")	Cisco Systems, Inc. ("Cisco")
/s/ KRISTIN HILL	/s/ JENNIFER PATE
Authorized Signature	Authorized Signature
Kristin Hill	Jenn pate4
Print Name	Print Name
Vice President	Authorized Signatory
Title	Title
7/13/23	July 17, 2023
Date	Date

EXHIBIT B

Distributor Support and Services Resale

1. Definitions

Capitalized terms used in this Error! Reference source not found. have the meanings assigned to those terms in the Agreement. Additional capitalized terms and the definitions assigned to those terms in this Error! Reference source not found. are as follows:

“Advanced Services” means those Services, as set forth in the Service Description(s) found at <https://www.cisco.com/c/en/us/about/legal/service-descriptions.html> selected by Distributor or as described in the SOW executed between Cisco and the Authorized Channel.

“Cisco.com” (<http://www.cisco.com>) is the Cisco website for its suite of online services and information.

“Cisco Branded Services” means those service offerings identified as Technical Services and Advanced Services, as set forth in the Service Description(s) found at <https://www.cisco.com/c/en/us/about/legal/service-descriptions.html> selected by Distributor or as described in the SOW executed between Cisco and the Authorized Channel.

“Collaborative Services” means those service offerings identified as Collaborative Technical Support and Collaborative Professional Services as set forth in the Service Description(s) found at <https://www.cisco.com/c/en/us/about/legal/service-descriptions.html> and made available for resale to those Authorized Channels that meet the appropriate eligibility requirements for each Collaborative Services offer.

“Data Collection Tools” means Hardware or Software tools that support Cisco's ability to provide troubleshooting on critical cases, data analysis, and report generation capabilities as part of the Advanced Services, as applicable.

“Deliverable” means, with respect to each Service Description or SOW, the items specified as deliverables in the Service Description or SOW, if any.

“Documentation” means user manuals, training materials, product descriptions and specifications, technical manuals, license agreements, supporting materials and other information relating to Products or Advanced Services offered by Cisco, whether distributed in print, electronic, CD-ROM or video format.

“Equipment List” means the list of Hardware and/or Software for which Cisco provides Services.

“End User Obligations” means the obligations End Users must comply with when purchasing Services in addition to End User responsibilities set out in the Services Descriptions. The End User Obligations are posted at <http://www.cisco.com/go/servicedescriptions/> and incorporated herein by reference.

“Expired Service Contract” means Authorized Channel Partner has not renewed a Service contract that has expired.

“Intellectual Property” means any and all tangible and intangible: (i) rights associated with works of authorship throughout the world, including but not limited to copyrights, neighboring rights, moral rights, and mask works, and all derivative works thereof, (ii) trademark and trade name rights and similar rights, (iii) trade secret rights, (iv) patents, designs, algorithms and other industrial property rights, (v) all other intellectual and industrial property rights (of every kind and nature throughout the world and however designated) whether arising by operation of law, contract, license, or otherwise, and (vi) all registrations, initial applications, renewals, extensions, continuations, divisions or reissues thereof now or hereafter in force (including any rights in any of the foregoing).

“Maintenance Contract Number” means the reference number assigned by Cisco for each Service purchased from Cisco.

“Major Release” or “New Release” means a release of Software which is designated by Cisco as a change in the ones digit in the Software version number [(x).x.x].

“Milestone” means a specific goal, objective or event pertaining to Advanced Services described under the terms of the Service Description or SOW, as applicable.

“Milestone Certification of Completion (MCC)” means the document provided by Cisco to obtain acceptance of Advanced Services performed.

“Minor Release” means an incremental release of Cisco Software that provides maintenance fixes and additional Software features. Minor Releases are designated by Cisco as a change in the tenths digit(s) of the Software version number [x.(x).x] and/or [x.x(x)].

“Ordering Tools” means a tool that Distributor may use to order Service detailed herein via Cisco.com.

“Service Descriptions” mean the detailed description of the Cisco Branded and Collaborative Services identified at <https://www.cisco.com/c/en/us/about/legal/service-descriptions.html> purchased by Distributor which are incorporated in the Agreement by reference.

“Services” mean the Technical Services and Advanced Services available for purchase and distribution by Distributor.

“SOW-based Services” means the project related or consultancy Advanced Services provided under a Statement of Work (a “SOW”), agreed upon by Cisco and Authorized Channel that defines any custom Advanced Services to be provided by Cisco.

“TAC” means Cisco’s Technical Assistance Center.

“Technical Services” means Services that provide both essential proactive and reactive operation and maintenance support identified as Technical Services at

<https://www.cisco.com/c/en/us/about/legal/service-descriptions.html>

“Uncovered” means Authorized Channel has not sold a Service Contract for a Product sold to an End- User customer.

“Update” means a bug fix, error correction, patch or workaround for the Software which is provided by Cisco to Distributor in response Distributor’s request, or at Cisco’s option, which Cisco chooses to provide to Distributor.

“Written Notice” means notice given either by Cisco or Authorized Channel to the other party via facsimile, electronic mails, or using Cisco.com.

2. Scope

This Exhibit describes the terms and conditions for (a) Distributor’s purchase and distribution of Services to Authorized Channel, (b) Cisco’s direct delivery of the Services to Authorized Channel or End Users, as applicable, (c) Cisco’s Support to Distributor and (d) Distributor’s support to Authorized Channel or End User. At all times, Cisco shall perform the Services on Distributor’s and their Authorized Channel’s behalf. In no event will Distributor be deemed to be an agent of Cisco.

3. Cisco Services Resale

3.1 Procedure to Order and Distribute Technical Services. Distributor is authorized on a nonexclusive basis to purchase and distribute Technical Services to Authorized Channel in accordance with the Agreement and this Exhibit.

a. Distributor will initiate its purchase request by providing Cisco with the following information, but not limited to, via the Ordering Tools:

i. Authorized Channel/Reseller and End User information:

- A. Reseller name
 - B. Reseller address
 - C. Reseller city
 - D. Reseller state, province, county or region
 - E. Reseller country
-

- F. End user name
- G. End user address
- H. End user city
- I. End user state, province, county or region
- J. End-user country
- ii. a preliminary Equipment List that includes all of the End-User's Product information to be covered by the Services, including Cisco serial numbers; and
- iii. a valid Purchase Order from Distributor to Cisco
- b. Upon Cisco's receipt of the information in Section 0 above, Cisco will:
 - i. validate Product model(s), price and serial numbers, and availability of the service level, and partner eligibility for the service, if applicable;
 - ii. provide an Equipment List and Maintenance Contract Number to Distributor;
 - iii. schedule to start providing Services on the date stated in the services contract, which may be up to thirty (30) days following the date of the Purchase Order acceptance by Cisco.

3.2 Procedure to Order and Distribute Advanced Services. Distributor is authorized on a nonexclusive basis to purchase and distribute Advanced Services to Authorized Channel in accordance with the Agreement and this Exhibit. Distributor may request such Services as follows:

- a. Distributor will initiate its request for Advanced Services by requesting a written price quotation (a "Quote") for the Advanced Services from Cisco, or Distributor shall place an order online for Advanced Services, indicating the partner for the requested Advanced Services, the requested start date, End User name, End User location (location of Advanced Services) and primary contact information for End User.
 - b. Distributor shall issue a valid Purchase Order (a "PO") from Distributor to Cisco. For any SOW-based Services, each PO issued by Distributor will include the following information:
 - i. SOW/Project ID Number, AS Project ID Number
 - ii. Services Part No., Quantity, Price
 - iii. Travel and Expense Part No., Price, (if applicable as a separate line item)
 - iv. Total Purchase Price
 - v. Bill-to, and Ship-to (Authorized Channel) addresses
 - vi. Requested Services Start Date
 - vii. Tax Exempt Certification (if applicable)
 - c. Cisco will not proceed with performing the Advanced Services until Distributor has issued a valid PO to Cisco, Cisco has accepted the Purchase Order and scheduled the start of Advanced Services. Cisco may
-

have a lead time for the start of Advanced Services for upto thirty (30) days following Purchase Order acceptance by Cisco. The term of the

Advanced Services shall commence on the date specified in the Purchase Order and continue: (i) until completion of the specified Service in the event a MCC is not required; or (ii) until the MCC has been signed off by End User in the event a MCC is required.

d. Changes to Advanced Services ordered by Distributor will require a new Quote from Cisco and a new valid PO issued by Distributor in accordance with the process defined above.

The new PO must reference the Authorized Channel's updated statement of work document.

e. Any additional costs incurred by Cisco, which Cisco is unable to mitigate, that are associated with either Authorized Channel's failure to meet responsibilities associated with the applicable Advanced Services order, or project schedule delays outside of Cisco's control shall result in a new Quote provided by Cisco to Distributor.

f. The Advanced Services will be provided by Cisco. Cisco may use subcontractors (under separate contract to Cisco) to perform the Advanced Services, or portion(s) thereof.

4. Cisco's Rights and Obligations

4.1 Resale of Services. Cisco will make the Services listed at

<https://www.cisco.com/c/en/us/about/legal/service-descriptions.html>, Partner Support Services

(https://www.cisco.com/c/dam/en_us/about/doing_business/legal/service_descriptions/docs/Partner_Support_Services.pdf),

or those SOW-based Services, described in a SOW in response to Distributor's request for proposal, available for resale by Distributor. The Services are available for Distributor's redistribution to identified eligible Authorized Channels. Services are subject to the geographic limitations shown at <http://tools.cisco.com/apidc/sam/search.do> or as specified in each Service Description and/or Quote.

4.2 Services to Be Provided. Cisco shall provide to End User on behalf of Distributor or Authorized Channel, as applicable, the Services described in the applicable Service Description for each Service purchased by Distributor under this Exhibit. In the event of CPS or SOW-based Services, Cisco shall provide the Advanced Services to Authorized Channel on behalf of Distributor.

4.3 Unless specified otherwise, the following services are provided solely to Distributor as backup to its technical support staff. Cisco shall have no obligation to furnish any assistance, information or documentation to Authorized Channel or End Users with respect to the Product.

- a. Cisco.com Access. Cisco will provide Distributor with partner-level access to Cisco.com.
- b. Technical Support. Cisco shall provide to Distributor access to Cisco's TAC via phone, electronic mail and facsimile.
- c. Updates. During the Cisco warranty period, Cisco will provide Updates to Distributor as follows:
 - i. When required, Cisco will provide Updates to Distributor to correct a problem, or provide a network-bootable Software image, as determined by Cisco. This service is limited to supported Software releases. Cisco supports each New Release in accordance with Cisco's current published End of Life policy, which policy may be viewed at <http://www.cisco.com/go/eol>. Cisco, in meeting support obligations, may require Distributor, Authorized Channel or an End User to upgrade to a supported release.
 - ii. Duplication and Distribution Rights. Cisco grants to Distributor the non-exclusive, nonassignable, non-transferable, royalty-free right to duplicate Updates and Minor Releases and redistribute such Updates and Minor Releases to Authorized Channel and End Users in the Territory, provided (a) that Authorized Channel or End User to which Distributor redistributes an Update or Minor Release shall previously have purchased, directly or indirectly from Distributor a license to use (for End Users) or redistribute (for Authorized Channel) the Software Product that the Update or Minor Release modifies; and (b) the Update or Minor Release shall not, as of the date on which Distributor redistributes such Update or Minor Release, already have been incorporated by Cisco into a Major Release Cisco has made available for license and redistribution by a Cisco-authorized distributor or Authorized Channel.

5. Distributor Rights and Obligations

5.1 Prior to accepting a Purchase Order from an Authorized Channel, Distributor shall:

- a. Validate Authorized Channel's eligibility to purchase the requested Services, if applicable;
-

b. Refer Authorized Channel to <https://www.cisco.com/c/en/us/about/legal/servicedescriptions.html> where the relevant Service Description and End User Obligations are posted and instruct Authorized Channel to provide a current copy of such documents to End User, as applicable; and

c. Ensure Authorized Channel is fully aware of its obligations in the context of any Collaborative Professional Services intended for purchase under which Cisco provides services directly to Authorized Channel.

5.2 Distributor shall not make or pass on, and shall take all measures necessary to ensure that neither it nor its agents nor employees shall make or pass on any warranty or representation on behalf of Cisco to any Authorized Channel, other Cisco-authorized distributor, customer, End User, or third party, other than Cisco's standard, published Product warranty for hardware and software, Service Description or applicable warranty for Services.

5.3 Equipment List.

a. Distributor shall ensure that all Products (including serial numbers) for which Services are being provided are listed in the Equipment List(s).

b. Equipment List(s) may be revised for new Product, service level upgrades and Product configuration changes by submission of a Purchase Order to Cisco that requests such revisions, and Cisco's acceptance thereof (based on availability). For such changes, Cisco will charge the pro-rated difference from the date upon which the change is requested to the end of the impacted Equipment List's term.

5.4 DOA Product Replacement Process.

a. Credit for Replacement. During the applicable Cisco warranty period for a particular Product, Distributor may return failed Product to Cisco. Cisco will credit Distributor with the current list price of the returned Product.

b. Replacement of DOA Products. In the event an Authorized Channel or End User reports receiving a DOA Product to Distributor, Distributor will use all reasonable efforts to ship a replacement product from its inventory of Products. In the event Distributor is unable to provide a replacement Product, Distributor may so notify Cisco and Cisco will use all commercially reasonable efforts to ship a replacement Product to an Authorized Channel or End User identified by Distributor within two (2) business days following Cisco's receipt of a purchase order from Distributor which specifies that it is an order submitted to replace a DOA Product. After the end of the warranty period, replacement products or parts will be charged at Cisco's then-current rates.

5.5 Warranty Support. When requested by its Authorized Channel, Distributor shall provide, at no charge, all warranty service for the shorter of (a) one year, or (b) the warranty period set out in the printed warranty provided with the Product. Warranty service will consist of Software and Hardware replacement service as follows:

- a. Software Support. Distributor will use reasonable efforts to provide work-around solutions or implement a Cisco-provided patch.
- b. Hardware Advance Replacement. For the shorter of (a) one year, or (b) the warranty period set out in the printed warranty provided with a Product, Distributor will ship a replacement Product or replacement parts for such product in accordance with Cisco's then-current published Product warranty applicable to the particular Product.
- c. Returns Coordination. Distributor shall comply with the following, as well as the guidance provided at: <http://www.cisco.com/en/US/docs/rma/3582.html>.
- d. Distributor shall coordinate the return of all failed parts, freight and insurance prepaid, to the Cisco repair center specified by Cisco.
- e. Distributor shall comply with the following RMA procedure:
 - i. Distributor will ensure all Products are properly packaged prior to being shipped, and will provide to Cisco during each month of the term of the Agreement a written description of the type of return being submitted, Product returned to Cisco will conform in quantity to the RMA request. With each Product returned, Distributor will provide to Cisco a copy of the original packing slip with each shipment.
 - ii. Distributor shall tag each shipment of Products returned with the RMA transaction number and a classification of the problem.
 - iii. Cisco will not accept any Product returned which is not accompanied by an RMA number.
 - iv. Notwithstanding the expiration or termination of the Agreement, Distributor's right to return failed products and failed parts shall extend for sixty (60) days beyond the date on which the Agreement expires or terminates.
- f. Title and risk of loss to failed Product and parts transfers to Cisco upon delivery to the Cisco repair center specified by Cisco.

6. Price, Invoice, and Payment Terms

6.1 Pricing. Prices for Services shall be those specified in Cisco's then-current Global Price List, less any applicable discount at the time of Cisco's acceptance of Distributor's Purchase Order or those set forth in a Quote submitted by Cisco.

6.2 Payment. All Purchase Orders will be subject to credit approval by Cisco. Payment terms shall be net thirty (30) days from the date of invoice. Unless otherwise agreed by Cisco, all payments shall be made in the currency used by the Cisco Systems entity with which Distributor has placed its Purchase Order. Any sum not paid by Distributor when due shall bear interest from the due date until paid at a rate of: (i) ten (10) per cent per annum or (ii) the maximum rate permitted by law, whichever is less.

6.3 Invoicing. Unless otherwise agreed by the parties, Cisco will invoice for Services performed under a Service Description either in advance of performance of such Services or upon receipt of a Milestone Certificate of Completion if required under the Service Description or SOW, as applicable. Such Milestone Certificate of Completion will be provided to Distributor by Cisco upon receipt of corresponding Milestone Certification of Completion received by Cisco from Authorized Channel for Services performed by Cisco. In the event, Cisco has not received the corresponding MCC from Authorized Channel within five (5) business days from Cisco's notification to Authorized Channel of Cisco's completion of Service, Services shall have been deemed accepted and Cisco shall provide the MCC to Distributor.

7. General

7.1 Software License. Distributor acknowledges that it may receive Software as a result of services provided under this Exhibit. Distributor agrees that it is licensed to distribute such Software only on Product covered under the Services and subject to the terms and conditions of this Agreement and the Software license granted with the original Software acquired. Except as otherwise specified in this Exhibit, Distributor shall not copy, in whole or in part, Software or documentation; modify the Software, reverse compile or reverse assemble all or any portion of the Software; or rent, lease, distribute, sell or create derivative works of the Software.

7.2 Third Party Services. Cisco reserves the right to subcontract the provision of all or part of the Services to a third party.

7.3 Independent Contractors. The relationship of Cisco and Distributor established by this Exhibit is that of independent contractors, and nothing contained in this Exhibit shall be construed to (a) give either party the power to direct and control the day-to-day activities of the other, (b) constitute the parties as joint ventures, co-owners or otherwise as participants in a joint or common undertaking, or (c) allow Distributor to create or assume any obligation on behalf of Cisco for any purpose whatsoever. All financial obligations associated with Distributor's business are the sole responsibility of Distributor. All sales and other agreements between Distributor and its Authorized Channel are Distributor's exclusive responsibility and shall have no effect on Distributor's obligations under

this Agreement. Distributor shall be solely responsible for, and shall indemnify and hold Cisco free and harmless from, any and all claims, damages or lawsuits (including Cisco's attorneys' fees) arising out of the acts of Distributor, its employees or its agents.

8. Uncovered and Expired Service Contracts

8.1 Cisco, or its authorized agents, may send reminders to attach Service contracts after initial Product purchase to Distributor, Authorized Channel or its End User; and upon request by Cisco, Distributor will reconfirm the End User's identity of the uncovered product(s) with the Authorized Channel. Distributor will (i) initiate the coverage process with its Authorized Channel, who will initiate the sale of a Service with the End User and forward to Cisco, via the Distributor, the completed Purchase Order or (ii) notify Cisco of Authorized Channel's intent not to attach Services.

8.2 Cisco, or its authorized agents, may send reminders to renew expiring Service contracts to Distributor, Authorized Channel or its End User; and upon request by Cisco, Distributor will reconfirm the End User's identity and service contract numbers of the expiring service contract(s) with the Authorized Channel. Distributor will (i) initiate the renewal process with its Authorized Channel, who will renew the Service with the End User and forward to Cisco, via Distributor, the completed Purchase Order or (ii) notify Cisco of Authorized Channel's intent not to renew Services.

8.3 If, upon 90 days after initial product sale, Cisco has not received a purchase order for the coverage of Services from Distributor, Cisco working with Distributor may contact the End User to arrange for reassigning of the Service contract coverage opportunity for the subject Equipment to another Cisco-authorized reseller

8.4 If, upon the expiration date of Cisco services contract for the Equipment, Cisco has not received a Purchase Order for the renewal from Distributor within thirty (30) days, Cisco working with Distributor may contact the End User to arrange for reassigning of the Service contract renewal for the subject Equipment to another Cisco-authorized reseller.

9. Warranty

NOTHING IN THIS EXHIBIT WILL AFFECT THE WARRANTIES PROVIDED WITH ANY HARDWARE PURCHASED OR SOFTWARE LICENSED BY DISTRIBUTOR AND/OR END USER. ANY AND ALL SERVICES PROVIDED HEREUNDER WILL BE PERFORMED IN A WORKMANLIKE MANNER.

ACCESS TO THE DATA COLLECTION TOOLS AND DELIVERABLES AND OTHER INFORMATION PROVIDED IN CONNECTION WITH THE SERVICES,

ARE PROVIDED ON AN "AS IS" BASIS. EXCEPT AS SPECIFIED IN THIS SECTION, ALL EXPRESS OR IMPLIED CONDITIONS, REPRESENTATIONS, AND WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE (EVEN IF THE PURPOSE IS KNOWN TO CISCO), SATISFACTORY QUALITY, AGAINST INFRINGEMENT OR ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE, ARE HEREBY EXCLUDED TO THE GREATEST EXTENT ALLOWED BY APPLICABLE LAW.

DISTRIBUTOR MUST NOTIFY CISCO PROMPTLY OF ANY CLAIMED BREACH OF ANY WARRANTIES. DISTRIBUTOR'S SOLE AND EXCLUSIVE REMEDY FOR BREACH OF WARRANTY WILL BE, AT CISCO'S OPTION, REPERFORMANCE OF THE SERVICES; OR TERMINATION OF THE APPLICABLE SERVICE ON THE EQUIPMENT LIST AND RETURN OF THE UNUSED PORTION OF THE FEES PAID TO CISCO BY DISTRIBUTOR FOR SUCH NON-CONFORMING SERVICES. THIS DISCLAIMER AND EXCLUSION WILL APPLY EVEN IF THE EXPRESS WARRANTY AND LIMITED REMEDY SET FORTH ABOVE FAILS OF ITS ESSENTIAL PURPOSE. THE WARRANTY PROVIDED IS SUBJECT TO THE LIMITATION OF LIABILITY SET FORTH IN THIS EXHIBIT. DISTRIBUTOR SHALL NOT MAKE ANY WARRANTY COMMITMENT, WHETHER WRITTEN OR ORAL, ON CISCO'S BEHALF.

10. Change in Scope

Cisco reserves the right to make changes to the scope and content of this Exhibit, including terminating the availability of a given Service, at any time upon ninety (90) days prior Written Notice. If Distributor does not agree with a change of scope or content, Distributor may terminate this Exhibit in accordance with Section 18.0 (Term and Termination) of the Agreement.

11. Licenses

11.1 Nothing in any Service Description shall alter or amend the intellectual property licenses provided with any purchase of Cisco hardware and license of Cisco software products. The provisions in Attachment A to Error! Reference source not found. apply only to those Advanced Services, Deliverables and other Intellectual Property detailed in any Service Description or SOW, as applicable. No title to Intellectual Property rights in any Product, Documentation, Services, Deliverables, Data Collection Tools or other Intellectual Property provided or developed by Cisco, or a third party on Cisco's behalf, is transferred to Authorized Channel by Cisco or Distributor.

11.2 Distributor hereby agrees to provide a copy of the terms and conditions in Attachment A to Error! Reference source not found. (or substantially similar terms and conditions) to Authorized Channel and have Authorized Channel agree to be bound by such terms and conditions pursuant to a legally enforceable written agreement. Distributor agrees that it will be liable to Cisco for any breach of such terms and conditions by Authorized Channel.

11.3 Except as otherwise set forth in a separate written agreement with Cisco, Cisco hereby grants Distributor a limited, non-exclusive, non-transferable right to distribute solely to other Ciscoauthorized distributors or Authorized Channels (who may redistribute only to Authorized Channels or End Users, as applicable, except as otherwise expressly agreed to by the parties) (i) Software provided as a result of Advanced Services, if any, (ii) the Deliverables specified in Service Descriptions (in object code form if Software), if any, and (iii) Data Collection Tools, if any.

12. Ownership

Cisco shall at all times retain all right, title and interest in and to all pre-existing Intellectual Property owned by Cisco as of the Effective Date and all Intellectual Property in and to the Advanced Services, Products, Deliverables and Data Collection Tools or other Intellectual Property provided or developed by Cisco or a third party on Cisco's behalf thereafter. Distributor shall at all times retain all right, title and interest in and to all pre-existing Intellectual Property owned by Distributor as of the Effective Date and all Intellectual Property that is developed by Distributor or by a third party on Distributor's behalf thereafter without the benefit of any of Cisco's Intellectual Property. Third party products shall at all times be owned by the applicable third party.

13. Contracting with U.S. Federal Government

To the extent Services engagements relate to a U.S. Federal Government contract, Cisco's Services offerings are "commercial item" as that term is defined under FAR 2.101. Cisco offers and/or provides these services upon a competitive basis and in substantial quantities in the commercial marketplace based upon established market prices for specific tasks performed under standard commercial terms and conditions.

Attachment A to Error! Reference source not found. License Rights

1. Licensee shall mean either End User (in the case of Advanced Services intended for resale to End User) or Authorized Channel, in the case of Collaborative Professional Services.

1. Cisco grants to Licensee a worldwide, non-exclusive and non-transferable license to use for Licensee's internal business use only: (i) Software provided as a result of Advanced Services, if any (ii) the Deliverables (in object code form if Software), if any, and (iii) Data Collection Tools, if any. With respect to Deliverables provided by Cisco under Collaborative Professional Services, subject to the terms and conditions herein,

Cisco grants to Authorized Channel a limited, revocable, non-exclusive, non-transferable license (a) to use, display, reproduce, modify, and distribute

Deliverables; and (b) create, use, reproduce, and distribute derivative works of the Deliverables. The license herein for Collaborative Professional Services is granted solely for Authorized Channel's support of End Users during the term of the Agreement and solely for use with Cisco products. This license grant does not include the right to sublicense.

2. This license shall be governed by: (i) the terms and conditions attached to the Software or in the absence of such terms by the license posted at <http://www.cisco.com/go/warranty> and (ii) this Exhibit and the Agreement.

3. Licensee agrees that it is licensed to use Software: (1) only on Hardware; or (2) in the case of Application Software, on third party hardware, (except as otherwise authorized in the Software Documentation); or (3) in the case of Data Collection Tools, in object code form only, on the Data Collection Tool on which such Software is provided.

4. The license is perpetual, provided Licensee is not in breach of this Attachment. Notwithstanding the above, the license for Data Collection Tools is valid until the earlier of: (i) the expiration or termination of the Advanced Services under which the Data Collection Tool was provided; or (ii) Cisco's request to Licensee that the Data Collection Tool(s) be returned to Cisco.

5. Except as expressly authorized, Licensee shall (nor permit a third party to): download more than one copy of the Software, copy, in whole or in part, any Software, Deliverable or Data Collection Tool, make error corrections or otherwise modify, decompile, decrypt, reverse engineer, disassemble or otherwise reduce all or any portion of any Software, Deliverable or Data Collection Tool which is software to human-readable form; or transfer, sublicense, rent, lease, distribute, sell, or create derivative works of any Deliverables.

6. When Licensee updates or upgrades a copy of Software to a new release, Licensee shall not use (except for a limited period of parallel testing) the new Software release and the corresponding copy of the previous Software release concurrently. Under no circumstances shall the previous release be re-used or transferred to any other device(s).

7. U.S. Government End User Purchasers. The Software and Documentation qualify as "commercial items," as that term is defined at Federal Acquisition Regulation ("FAR") (48 C.F.R.) 2.101, consisting of "commercial computer software" and "commercial computer software documentation" as such terms are used in FAR 12.212. Consistent with FAR 12.212, FAR 52.227-19 Commercial Computer Software—Restricted Rights and DoD FAR Supp. 227.7202-1 through 227.7202-4, and notwithstanding any other FAR or other contractual clause to the contrary in any agreement into which this Attachment may be incorporated, Customer may provide to Government end user or, if this

Attachment is direct, Government end user will acquire, the Software and Documentation with only those rights set forth in this Attachment. Use of either the Software or Documentation or both constitutes agreement by the Government that the Software and Documentation are “commercial computer software” and “commercial computer software documentation,” and constitutes acceptance of the rights and restrictions herein.

EXHIBIT H
DISTRIBUTION TO U.S. FEDERAL GOVERNMENT

In addition to the requirements set forth elsewhere in this Agreement for resale of Products and Services generally, the following additional requirements shall apply to Distributor’s resale of Products and Services to Authorized Channels who resell such Product and Services to the U.S. Federal Government:

1.0 Distributor shall maintain a separate government sales team, which shall include sales specialists with an understanding of U.S. Government regulations and U.S. Government contract terms and conditions, to support Authorized Channels in the federal government marketplace.

2.0 Distributor shall maintain a configuration facility for systems integration and testing in support of federal government specific contracts and opportunities for Authorized Channels.

3.0 Except as otherwise agreed between the Parties in this Agreement, Distributor will not distribute Products or Services under this Agreement through a General Services Administration (GSA) schedule contract, California Multiple Award Schedule (CMAS), or other schedule contracts. Except as otherwise agreed between the Parties in a separate written agreement, this Agreement shall not be construed by Distributor as a representation that Cisco will furnish supplies needed by Distributor to fulfill any of Distributor’s GSA, CMAS or similar contract obligations under any schedule contract.

4.0 The federal government contract flowdown provisions set forth in Section 8.0 of this Exhibit are applicable to Purchase Orders for U.S. Federal Government End Users. Cisco does not accept any additional or modified flowdown provisions including but not limited to Federal Acquisition Regulation (FAR), Department of Defense FAR Supplement, or NASA FAR Supplement provisions, notwithstanding existence of such provisions on Distributor’s Purchase Orders or supplementary documentation or Cisco’s acceptance of such Purchase Orders or documentation.

5.0 Point-of-Sales (POS) Reports. In addition to the reporting requirements set forth in Section 7.0 of this Agreement, Distributor shall provide the following additional

information in the regular POS reports it submits to Cisco for all sales made to Authorized Channels for resale to the U.S. Federal Government:

- 5.1 Authorized Channel contract type (e.g., GSA (non-schedule contract), Indefinite Delivery/Indefinite Quantity, 8(a));
- 5.2 End User (Government Agency) name, agency department;
- 5.3 Government Agency, Cabinet level/specific procuring office;
- 5.4 Ship to address (street, city, state, country and zip/postal code);
- 5.5 Prime Federal Government Contract number, when available; and
- 5.6 Distributor's invoice number and sales order number to the Authorized Channel.

6.0 Distributor acknowledges that the Trade Agreements Act, 19 U.S.C. Section 2511 et seq., and its implementing regulations governs the ability of the Federal Government to purchase items produced outside the United States and certain designated countries. Distributor acknowledges that not all Cisco items are produced in the United States or designated countries and that only certain items specifically identified by Cisco ("Designated Country Items") as being produced in the United States or designated countries. If Distributor undertakes to sell items other than Designated Country Items to the Authorized Channels, Distributor accepts sole responsibility for ensuring that such sales comply with the Federal Government's requirements.

7.0 Distributor will ensure that prior to providing a quote to an Authorized Channel for a U.S. Federal Government opportunity, that the Authorized Channel requesting the quote is at minimum a Cisco Registered Partner enrolled in the Federal Authorization Program (the "Program"). If the requesting Authorized Channel is not enrolled in the Program, Distributor will require Authorized Channel to complete the enrollment (to include training), prior to providing quote(s) to the Authorized Channel.

8.0 This Agreement pertains to the sale of "commercial items" as that term is defined under FAR 2.101 and FAR Part 12. Notwithstanding any other clause in the prime contract, only those clauses identified in 52.212-5(e) and 52.244-6 are required to be in subcontract agreements for commercial items or commercial components (see further, FAR 12.502(b), 44.402(b)). The most recent version of the following FAR clauses, identified in 52.212-5(e) and 52.244-6 are hereby incorporated by reference, with the same force and effect as if they were given in full. For purposes of this Agreement, when appropriate in adopting the terminology of all the following FAR clauses, the term "contract" shall mean this Agreement; the term "Contractor" shall mean Cisco; the term "Government" and "Contracting Officer" shall mean Distributor.

FAR 52.203-13 Contractor Code of Business Ethics and Conduct

FAR 52.203-15 Whistleblower Protection Under the ARRA

FAR 52.203-19 Prohibition on Requiring Certain Internal Confidentiality Agreements or

Statements

FAR 52.204-21 Basic Safeguarding of Covered Contractor Information Systems
FAR 52.204-23 Prohibition on Contracting for Hardware, Software, and Services Developed or Provided by Kaspersky Lab and Other Covered Entities
FAR 52.204-25 Prohibition on Contracting for Certain Telecommunications and Video Surveillance Services or Equipment.
FAR 52.219-8 Utilization of Small Business Concerns
FAR 52.222-17 Nondisplacement of Qualified Workers
FAR 52.222-21 Prohibition of Segregated Facilities
FAR 52.222-26 Equal Opportunity (E.O. 11246)
FAR 52.222-35 Equal Opportunity for Veterans
FAR 52.222-36 Equal Opportunity for Workers with Disabilities
FAR 52.222-37 Employments Reports on Veterans (38 U.S.C. 4212).
FAR 52.222-40 Notification of Employee Rights Under the National Labor Relations Act (E.O. 13496).
FAR 52.222-41 Service Contract Act of 1965
FAR 52.222-50 Combating Trafficking in Persons
FAR 52.222-51 Exemption from Application of the Service Contract Act to Contracts for Maintenance, Calibration, or Repair of Certain Equipment-Requirements
FAR 52.222-53 Exemption from Application of the Service Contract Act to Contracts for Certain Services-Requirements
FAR 52.222-54 Employment Eligibility Verification
FAR 52.222-55 Minimum Wages Under Executive Order 13658
FAR 52.222-62 Paid Sick Leave Under Executive Order 13706
FAR 52.224-3 Privacy Training
FAR.52.225-26 Contractors Performing Private Security Functions Outside the U.S
FAR 52.232-40 Providing Accelerated Payments to Small Business Subcontractors
FAR 52.247-64 Preference for Privately Owned U.S. Flag Commercial Vessels

Exhibit I**Direct Value Add Distributor (“DVAD”) Program Terms and Conditions**

1. The Program is focused on establishing new business practices between Cisco and its distribution base for high-value project-based business, as defined herein. The parties agree that Distributor may participate in the Program in the Territory, subject to the terms and conditions of these Terms and Conditions. Distributor agrees to comply at all times with the then-current DVAD Program (also referred to as the “CBN” or Channels Booking Neutrality program) guidelines and policies published by Cisco

from time to time at https://www.cisco.com/c/dam/en_us/partners/distributor/Distribution-CBN-Policyrev201810.pdf.

2. In order to participate in the Program, Distributor must create a separate purchase account, to be used solely for Distributor's issuance of Purchase Orders ("Orders") to Cisco, for Cisco-branded Products, under the Program. All invoice and payment transactions related to the Program will occur under this separate purchase account. Further, Distributor shall implement a separate process management system in dealing such Product and shall ensure that all Products ordered under the Program are kept

physically separate from other inventory, including having separate bin locations for easy locating and identification of CBN-ordered products. All pricing for Orders will be based on Cisco's Price List.

3. Order Qualification Requirements: Each Order submitted under the Program must meet the following criteria:

3.1 The Order must be "deal-based" and placed in its entirety on Cisco as either a single Order or as multiple Orders and must represent a single project. For the purposes of these Terms and Conditions, "deal-based" means that the Order is made under an assigned Cisco Deal

ID for a specified Authorized Channel and End User related to a specific project;

3.2 Distributor's purchases under the Program are limited to the following Cisco offer types:

a. SaaS products restricted from Distribution Sales Visibility (DSV) or the Net Pricing Program;

b. Enterprise Agreements (EAs);

c. Hardware Orders when combined with one or both of the above offer types and where the End User and Authorized Channel are willing to await delivery based on Cisco lead times.

3.3 No transactional claims (back-end rebates via the Grow Track program or any other Cisco rebate program) will be permitted on the CBN Orders. The Order must reflect net-pricing (e.g., discounting to be applied 'up-front' and reflected in net price on order) and must include the applicable Deal ID provided to Distributor by Cisco; and

3.4 The Order must identify and include the relevant End User and Authorized Channel information.

4. Distributor shall not purchase Product under the Program for the purpose of stocking or replenishing inventory. Complete CBN orders can be staged at Distributor's warehouse for not more than 30 days, but shall be kept physically separate from regular inventory (i.e. inventory ordered outside of the Program). All sales made by Cisco under the Program are final. In addition, Distributor shall not fulfill Program Orders from Distributor's inventory. For purposes of clarity, any and all terms in the

Agreement relating to price protection, obsolete product returns, inventory or stock balancing, and associated Product return rights do not apply to Product purchased through the Program. Cisco reserves the right to request, and Distributor agrees to promptly furnish, any supporting documentation related to Orders placed under the Program, including, without limitation, the purchase orders or purchase contracts between the Distributor and Authorized Channel for the relevant Product contained in an Order. If Cisco reasonably believes that Distributor has used the Program to procure inventory, or has otherwise abused the Program, Cisco may immediately terminate Distributor's participation in the Program. This termination right shall be in addition to any other rights and remedies of Cisco under the Agreement.

5. Products ordered by Distributor under the Program shall be reported separately and not be included in any reporting of Distributor inventory or Point of Sale ("POS") reporting. Distributor agrees to submit to Cisco, upon request, documentation/reports related to any and all Program Orders (including reporting of Products ordered under the Program held in Distributor warehouses and sales-out reports) in the form and at the time(s) required by Cisco. Cisco's audit rights, as set forth in the Agreement, apply to purchases made by Distributor under the Program.

6. For each Order submitted under the Program, Distributor shall, upon request from Cisco, submit to Cisco copies of the relevant shipping documents showing Distributor's shipment of the Product to either the applicable Authorized Channel or End User. Cisco acknowledges that, where Distributor is the importer of record, Distributor may need to perform staging activities as it relates to Product purchased under the Program.

7. Participation in the Program does not entitle Distributor to any of the benefits provided under Cisco's Channel Programs to Cisco Direct Value Add Resellers ("DVARs") or any other Authorized Channel.

8. Term: These Terms and Conditions are coterminous with the Agreement. Cisco is under no obligation to develop any kind of program, or modify any ordering processes, as a result of the Program. Participation in the Program is at Distributor's expense. Cisco will not be responsible for any costs incurred by Distributor as a result of the Program. Distributor further acknowledges and agrees that

Cisco may modify or terminate the DVAD Program at any time, with no less than thirty (30) days advance notice to Distributor.

Exhibit K Detailed Reporting Requirements

Point of Sale & Inventory Requirements

Distributor must submit Point of Sale (POS) and inventory via the DCA tool or a mutually agreed upon B2B format, or as otherwise agreed upon with Cisco.

Point of Sale ("POS") and inventory information must be in the format as shown on the templates posted at the following URL:https://www.cisco.com/c/dam/en_us/partners/distributor/pos_inventory_reporting_templates-201810.xlsx
Data must be clean (without foreign characters, extra spaces, etc.) and accurate.

In order for a POS or an Inventory file to be valid, it must be submitted in strict accordance with any and all of the following conditions. Any POS or Inventory not respecting these conditions shall be automatically invalid and thus refused by Cisco.

Detailed POS Requirements

Definition of POS:

In order for POS to be valid and true, it must be invoiced and shipped to a third party (reseller or end user) prior to being submitted. Any Distributor submitting weekly as opposed to daily (such daily reports to be submitted every working day of the week, wherein non-working days are consolidated into the next working day daily report) should ensure that their Monday POS submissions only take into account sales made between and including the previous Sunday to the previous Saturday.

Submissions:

Deadline (frequency and timeline) for Distributor to submit POS to Cisco should be daily, including claim reference details and End User information, or as otherwise agreed to between local geographies of Cisco and Distributor. Any and all POS must be submitted by Distributor via Cisco's DCA tool, as mutually agreed upon locally, or a mutually agreed upon B2B format.

POS Template under the "Submission Template" Link of the DCA tool website should be used to submit the POS data that is provided through the DCA tool, unless the parties have agreed in writing to a variation of such Submission Templates. Any changes to the Submission Templates that are currently in use must be made by mutual written agreement of the parties.

Of the fields in the POS Template, there are both mandatory and conditional fields. Detailed information on Cisco's POS and Inventory required fields can be found here:
https://www.cisco.com/c/dam/en_us/partners/distributor/pos_inventory_reporting_templates-201810.xlsx

The end user name and address fields (including city, state, and country) must be populated. Names such as SMB, Dummy, end user, Dealer, or Authorized Channel, not willing, and internal use, etc. will not be accepted and must instead be populated with the correct end user name of where the Cisco Product will be sold, or following Cisco's specific local POS reporting requirements.

Negative POS:

Negative POS lines must only be submitted for product returns (excluding stock rotation or Dead on Arrival (“DOA”) product) or cancelled sales where POS has previously been submitted. The original invoice number or Original Sales Order number must be provided when there is an RMA, if this information is reasonably available from Distributor. Under no circumstances is negative POS to be submitted for reseller or end user changes unless otherwise agreed to in writing by the parties. Each POS submission should be final and should therefore not require any correction. Corrections will only be accepted if the POS transaction date is less than twenty one (21) days old at the time of the request for corrections. Distributor must submit a corrected POS and a negative POS to cancel the previous POS submission that is being corrected.

Negative POS submitted must be valued at the purchase price from Cisco (Wholesale Price List, if applicable) less any rebate claims already received from Cisco for that specific purchase, if this information is reasonably available from Distributor. Distributor agrees to reimburse Cisco for all agreed upon rebate claims previously paid by Cisco to Distributor, associated with Negative POS submissions. Cisco reserves the right to audit the accuracy or the value used in conjunction with Negative POS submissions. Distributor reserves the right to dispute the accuracy of any audit. Any discrepancies will be handled as part of the specific methodology agreed upon for the applicable country or region.

Distributor-to-Distributor (D2D) transactions:

All POS transactions for which the reseller name field is a distributor or the reseller is reselling to a Cisco distributor are flagged as D2D by Cisco. However, the distributor sourcing from another distributor for the purpose of selling on would be entitled to claim a rebate against this line.

Transactions flagged as D2D are not available for claiming rebates and are not allocated to Cisco Account Managers. This is without prejudice to any Authorized Channel being entitled to source from and resell to any other Authorized Channel. If a distributor is selling for its own internal use, then the reseller field should mention "distributor internal use" or, as applicable, Distributor's own name (Distributor should follow local protocol).

Inventory Submissions:

Definition of Inventory:

This includes all inventory held by the distributor as at a particular point in time, which has neither been invoiced to a reseller, nor submitted as POS information to Cisco.

Submissions:

Deadline (frequency and timeline) for Distributor to submit inventory to Cisco should be separately agreed to between local geographies of Cisco and Distributor. Inventory data submissions should, at a minimum, be as frequent as POS data submissions. Any and all inventory must be submitted by Distributor via Cisco's DCA tool, or as otherwise agreed upon with Cisco.

Of the fields in the Inventory Template, there are both mandatory and conditional fields. Detailed information on Cisco's POS and Inventory required fields can be found on Cisco's Distribution Central at:

https://www.cisco.com/c/dam/en_us/partners/distributor/pos_inventory_reporting_templates-201810.xlsx

Penalty for Failure to Submit POS and Inventory Reports:

If Distributor has not submitted Inventory for two weeks running, without providing prior warning to Cisco, Cisco has the right to place a hold on all future rebate payments until full and complete and correct Inventory has been submitted.

Balancing Calculations:

Further to timely submissions of POS and Inventory, Cisco may require Distributor to submit a balancing calculation (otherwise known as inventory reconciliation or inventory roll-forward) at summary level as needed. This will include shipment received, inventory, POS, and returns information for the previous week and should balance with the detail of the Inventory and POS reports submitted

Shipments received:

This should be a total of all shipments received from Cisco, whether logged as Inventory or shipped out directly as back to back orders during the previous week. For D2D transactions, the source vendor would be the initial distributor.

Goods in Transit (Intra Distributor Transfers)

This should be the total of all products removed from the main warehouse's inventory but not yet logged in the branch's inventory (or products removed from a branch's inventory and not yet logged in the main warehouse's inventory, or products removed from one branch's inventory and not yet logged in another branch's inventory). This report needs to include all product ID, quantity, Price List, price, purchase order numbers, sales order numbers, and serial numbers as provided by Cisco.

Rebate Claims Terms and Conditions

In order for a claim to be valid under any current and/or future promotional offer or program, it must be submitted in strict accordance with any, and all of the following

conditions. Any claim not respecting these conditions shall be automatically invalid and thus refused. In such case, no rebate shall be issued by Cisco.

Rebate Claim Submission

Distributor must claim the promotional value as a back end rebate. All rebate claims must be submitted through the DCA tool. In order to be valid, all claims must be submitted to Cisco by the 10th business day of each month, following the month of sale.

All claims submitted to Cisco more than 30 days after the date of sale will be automatically rejected by Cisco and Cisco will have no liability to honor such claim.

End user details must be quoted on POS and all claims submitted.

All POS reports must include serial numbers associated with the serialized products sold, if they exist. Cisco will endeavor to notify distributors at least two weeks in advance of any change to any current and/or future promotional offer or program. Cisco reserves the right to add, modify, change, improve, or discontinue any product or promotion without notice. If Cisco re-instates a promotion, which has previously expired, those sales reported between the promotion end date and the re-instated date will not be eligible for a rebate claim against such promotion.

It is Distributor's responsibility to realize the risk of placing orders for products to be covered by a specific promotion towards the end of a promotion period. Claims can only be accepted on products that have a POS date prior to the end of the promotional period. If Distributor believes a claim has been rejected in error, Distributor should contact Cisco for assistance.

Claim Rejection

It is Distributor's responsibility to correct and re-submit any claims that are rejected by DCA because they require correction. Corrected claims must be resubmitted within thirty (30) days of rejection by DCA. Cisco's determination regarding corrected claims is final and at its discretion. Once a corrected claim has been rejected, no further action will be taken.

Claims that have been rejected by Cisco with the correction action "Entitlement error" means no action is required, as the claim has been rejected for a reason that cannot be corrected. However, if a distributor wishes to dispute a claim that has been rejected due to an entitlement error, this must be addressed with Cisco within 30 days of rejection by Cisco. The final decision of entitlement will be decided by Cisco only.

Validation Guidelines

Upon acceptance of the Claim, Cisco shall issue a credit/debit memo within thirty (30) days of the claim being submitted to Cisco error free. Error free submission is when a POS or Claim line submitted through DCA does not require any further correction on the Distributor's part. If applicable, credit memo numbers shall be available on DCA within two (2) days following due date.

EXHIBIT L
DISTRIBUTION SALES VISIBILITY (“DSV”) PROGRAM
TERMS AND CONDITIONS

1. This program is focused on establishing new business practices between Cisco and its distribution base for all business, as described herein. The parties agree that Distributor may participate in the DSV Program (“DSV Program”) in the Territory, where available, subject to the terms and conditions in this Exhibit L. Distributor agrees to comply at all times with the then-current DSV Program guidelines and policies published by Cisco from time to time at <https://www.cisco.com/c/en/us/partners/distributors/sales-visibility.html>. To participate in the DSV Program, Distributor must make a separate daily report of orders (the “DSV Order Report”) that have been collected from Resellers using the DSV Booking Template (https://www.cisco.com/c/dam/en_us/partners/distributor/dsv-booking-template-v1-3-20170428.xlsx). To submit orders under this report, orders must have passed all order holds within Distributor’s sales order entry system.
 2. Order Qualification Requirements: Each order submitted under the DSV Program must meet the following criteria:
 - a. The DSV Order Report must contain a partner purchase order number and a valid Cisco part number, must be reported at the net price, and must contain any approved special pricing agreements (e.g., Deal IDs).
 - b. Ship dates on Distributor’s sales orders submitted to Cisco cannot exceed 90 days from the Distributor’s acceptance of the order.
 - c. No transactional claims will be permitted on the orders. Orders must reflect net pricing (e.g., final price after all discounts and expected back-end rebates are considered) and include the applicable DART or Deal ID.
 - d. Orders must identify and include the relevant End User and Cisco-authorized reseller information.
 - e. Any changes to or cancellations of an order must be submitted to Cisco by Distributor on the same business day that Distributor is notified of the change or cancellation.
 3. Distributor agrees to submit to Cisco, upon request, documentation/reports related to any and all DSV Program orders (including reporting of Products ordered under the DSV Program held in Distributor warehouses). For avoidance of doubt, Cisco’s audit rights, as set forth in Section 15.2 of the Agreement, apply to transactions made by Distributor as part of the DSV Program.
-

4. For each order submitted under the DSV Program, Distributor shall, upon request from Cisco, submit to Cisco copies of the relevant shipping documents showing Distributor's shipment of the Product to either the applicable Reseller or End User.
5. Participation in the DSV Program does not entitle Distributor to any of the benefits provided under Cisco's Channel Programs to Cisco Direct Value Add Resellers ("DVARs") or any other Ciscoauthorized Resellers.
6. Participation in the DSV Program is at Distributor's expense. Cisco will not be responsible for any costs incurred by Distributor as a result of the DSV Program.
7. Distributor further acknowledges and agrees that Cisco may modify or terminate the DSV Program at any time, with no less than thirty (30) days advance notice to Distributor.

ScanSource, Inc.
Schedule of Subsidiaries

Name of Subsidiary	State/Country of Incorporation
4100 Quest, LLC	South Carolina
ScanSource Properties, LLC	South Carolina
Logue Court Properties, LLC	South Carolina
8650 Commerce Drive, LLC	Mississippi
ScanSource Canada, Inc.	Canada
Canpango, Inc.	South Carolina
Intelisys, Inc.	South Carolina
ScanSource Payments, Inc.	South Carolina
POS Portal, Inc.	California
Outsourcing Unlimited, Inc.	Georgia
RPM Software, LLC	South Carolina
intY USA, Inc.	Florida
Canpango, S.A.	South Africa
intY Holdings Ltd.	United Kingdom
intY Cascade, Ltd.	Ireland
IntY Ltd.	United Kingdom
ScanSource Europe CV	Rotterdam,NL
ScanSource Europe BV	Amsterdam,NL
ScanSource Brasil Distribuidora de Tecnologias Ltda.	Brazil
Intersmart Technologies LLC	Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated August 22, 2023, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of ScanSource, Inc. on Form 10-K for the year ended June 30, 2023. We consent to the incorporation by reference of said reports in the Registration Statements of ScanSource, Inc. on Forms S-8 (File No. 333-262370; File No. 333-192664; and File No. 333-192665).

/s/ Grant Thornton LLP

Columbia, South Carolina
August 22, 2023

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 annual report on Form 10-K 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
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 22, 2023

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 annual report on Form 10-K 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: August 22, 2023

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 annual report of ScanSource, Inc. (the “Company”) on Form 10-K for the year ended June 30, 2023 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: August 22, 2023

/s/ MICHAEL L. BAUR

Michael L. Baur
Chairman and Chief Executive Officer
(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.

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 annual report of ScanSource, Inc. (the “Company”) on Form 10-K for the year ended June 30, 2023 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: August 22, 2023

/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.