

SCANSOURCE INC  
Form DEF 14A  
October 22, 2015  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

ScanSource, Inc.

**(Name of Registrant as Specified in Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

Fee not required.

Table of Contents

- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
  
- .. Fee paid previously with preliminary materials.
  
- .. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount previously paid:
  - (2) Form, Schedule or Registration Statement No.
  - (3) Filing Party:
  - (4) Date Filed:

**Table of Contents**

**Notice of 2015 Annual Meeting of Shareholders  
and Proxy Statement**

**Thursday, December 3, 2015 at 10:30 a.m., Eastern Standard Time  
Marriott Hotel, One Parkway East, Greenville, South Carolina 29615**

## **Table of Contents**

### **Letter from our Chairman**

Fellow shareholders:

Thank you for your continued support. On behalf of ScanSource's Board of Directors, I would like to encourage you to attend the upcoming 2015 Annual Meeting of Shareholders. If you are unable to make the Annual Meeting, I urge you to actively participate in the Company's future by casting your vote on the items discussed in the Proxy Statement using the attached proxy. I would like to take this opportunity to also provide you with an update on what the Board of Directors has accomplished in 2015.

### **Activities of the Board in 2015**

Over the past year, our Board of Directors, among other things, focused on ensuring ScanSource implemented its capital allocation strategy designed to return and create value for our shareholders. In particular, the Board of Directors authorized on August 21, 2014 a robust share repurchase program in the amount of \$120,000,000. As of market close on October 16, 2015, ScanSource has now acquired 1,829,553 shares of common stock for a total of approximately \$68,070,060 pursuant to this program. We are pleased that the Company was able to execute half of this authorization in the program's first year.

In addition to the stock repurchase program, the Board of Directors worked to oversee the deployment of capital through strategic acquisitions. In the last twelve months, ScanSource has closed or entered into agreements to acquire three separate companies, including: Network1, Brazil's leading value-added distributor of communications equipment and services; Imago Group, plc, one of Europe's leading value-added distributor of video and voice communications equipment and services; and KBZ Communications, an award winning Cisco authorized technology distributor based in Doylestown, Pennsylvania. The Company has executed upon its corporate development strategy at a record pace for the Company, which had historically completed two acquisitions every three years and now has proven its ability to acquire and integrate at least three companies in one year.

In addition, the Board oversaw investments in ScanSource's technology infrastructure through the implementation of our new SAP enterprise resource planning (ERP) system. The Board of Directors believes that making investments in ScanSource's technology infrastructure allows the Company to have a scalable system to support future growth, including simpler and faster integration of acquisitions. Significantly, the Company has successfully mitigated the risk from its aged legacy system of over 20 years by moving to a modern IT system, which has a robust support ecosystem and is intended to be capable of being the Company's primary ERP system for the long-term.

As you can see, the Board of Directors worked to ensure that we are allocating our capital through our stock repurchase program, strategic acquisitions, technology infrastructure, and our

**Table of Contents**

people, all with a goal of creating long-term value for our shareholders during this changing and dynamic economic environment.

We are enthusiastic about continuing the implementation of our strategic business plan to grow our business in the United States and internationally. It is our plan to continue to execute on our capital allocation strategy to seek new ways to maximize shareholder value and deploy cash reserves effectively. During fiscal 2015, the Board met more often in person at both the Company's headquarters, and at the Company's new key international offices, in Sao Paulo, Brazil. The Board has been directly involved with management in overseeing the integration of the recent key international acquisitions.

The Board of Directors is also committed to having a sound governance structure that promotes the best interests of our shareholders. To that end, our Board has evaluated and actively continues to examine emerging corporate governance trends and best practices. We have corporate governance guidelines to help ensure that the Board of Directors is independent from management, appropriately performs its function as the overseer of management, and that the interests of the Board of Directors and management align with the interests of our shareholders.

We believe that our current leadership structure and enhanced corporate governance guidelines ensure effective independent Board leadership and oversight of management. During fiscal 2015, our directors regularly met in executive sessions without the Chief Executive Officer or any other members of management present. Strong independent director leadership is also enhanced by the fact that I am an independent Chairman and all of the Board Committees are comprised solely of, and chaired by, independent directors.

On behalf of ScanSource's Board of Directors and the members of ScanSource's senior management team, we look forward to seeing you at the upcoming 2015 Annual Meeting of Shareholders. The attached Notice of Annual Meeting of Shareholders and Proxy Statement will serve as your guide to the business to be conducted at the meeting this year.

Your vote is important to us. Again, I urge you to actively participate in the Company's future by casting your vote on the items discussed in the Proxy Statement. Please vote early by signing and returning your proxy card or by voting by telephone, mobile device or internet as instructed in the Proxy Statement. Thank you for being a shareholder and for the trust you have placed in ScanSource.

Best regards,

**Steven R. Fischer**

*Chairman of the Board*

**Table of Contents**

**Notice of Annual Meeting of Shareholders**

**December 3, 2015**

**10:30 a.m., Eastern Standard Time**

The Annual Meeting of Shareholders of ScanSource, Inc. will be held at the Marriott Hotel, One Parkway East, Greenville, South Carolina 29615 on Thursday, December 3, 2015, at 10:30 a.m., Eastern Standard Time, for the following purposes:

- 1) To elect six members to the Board of Directors;
- 2) To hold an advisory vote to approve the compensation of our Named Executive Officers (as defined in the Proxy Statement);
- 3) To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016; and
- 4) To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Only shareholders whose names appear of record on our books at the close of business on October 8, 2015 will be entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof.

You are cordially invited to attend the Annual Meeting in person, but if you are unable to do so, please vote by signing and returning your proxy card or by voting by telephone, mobile device or internet. You are entitled to revoke your proxy at any time before it is exercised, and if you attend the Annual Meeting you may also revoke your proxy by voting in person. Voting over the internet, by telephone, by mobile device or by written proxy or voting instruction card will ensure your representation at the Annual Meeting regardless of whether you attend in person.

By the Order of the Board of Directors

**John J. Ellsworth**

*Executive Vice President, General Counsel and Corporate Secretary*

October 22, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL

Edgar Filing: SCANSOURCE INC - Form DEF 14A

MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 3, 2015. The Company's 2015 Notice of Annual Meeting and Proxy Statement, 2015 Annual Report and other proxy materials are available under the

Investors tab on our website at [www.scansource.com](http://www.scansource.com).

**Table of Contents**

**Table of Contents**

	<b>Page</b>
<b><u>INFORMATION CONCERNING SOLICITATION AND VOTING</u></b>	<b>1</b>
<u>Proposals to be Considered and Vote Required</u>	1
<u>How to Vote</u>	3
<u>Voting of Proxies</u>	3
<b><u>CORPORATE GOVERNANCE</u></b>	<b>4</b>
<b><u>CORPORATE SOCIAL RESPONSIBILITY</u></b>	<b>8</b>
<b><u>PROPOSAL NUMBER 1 - ELECTION OF DIRECTORS</u></b>	<b>9</b>
<u>Information Regarding Nominees for Director</u>	9
<u>2015 Director Compensation Table</u>	14
<u>Committees of the Board</u>	15
<u>Candidates for the Board</u>	17
<u>Communications with the Board</u>	17
<u>Code of Ethics</u>	17
<u>Compensation Committee Interlocks and Insider Participation</u>	18
<u>Certain Relationships and Related Party Transactions</u>	18
<u>Recommendation of Board of Directors</u>	19
<b><u>PROPOSAL NUMBER 2 - ADVISORY VOTE ON EXECUTIVE COMPENSATION</u></b>	<b>20</b>
<u>Background of the Proposal</u>	20
<u>Executive Compensation</u>	20
<u>Effect of Resolution</u>	21
<u>Recommendation of Board of Directors</u>	21
<b><u>PROPOSAL NUMBER 3 - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u></b>	<b>22</b>
<u>Principal Accountant Fees and Services</u>	22
Table of Contents	8



<u>Audit Committee s Pre-approval Policies and Procedures</u>	23
<u>Recommendation of Board of Directors</u>	23
<b><u>EXECUTIVE COMPENSATION</u></b>	<b>24</b>
<u>Executive Officers</u>	24

---

**Table of Contents**

<u>Compensation Discussion and Analysis</u>	24
<u>Compensation Committee Report</u>	45
<u>Compensation Tables</u>	46
<u>2015 All Other Compensation Table</u>	47
<u>2015 Grants of Plan Based Awards Table</u>	48
<u>2015 Outstanding Equity Awards at Fiscal Year End Table</u>	49
<u>2015 Option Exercises and Stock Vested Table</u>	50
<u>2015 Nonqualified Deferred Compensation Table</u>	50
<u>Employment Agreements and Potential Payments upon Certain Events</u>	51
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	<b>58</b>
<b><u>AUDIT COMMITTEE REPORT</u></b>	<b>59</b>
<b><u>STOCK OWNERSHIP INFORMATION</u></b>	<b>61</b>
<u>Principal Shareholder and Beneficial Ownership</u>	61
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	62
<b><u>OTHER BUSINESS</u></b>	<b>63</b>
<b><u>SHAREHOLDER PROPOSALS</u></b>	<b>64</b>
<b><u>HOUSEHOLDING</u></b>	<b>67</b>
<b><u>APPENDIX A</u></b>	<b>68</b>

---

**Table of Contents**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

This Proxy Statement is first being mailed on or about October 23, 2015 to shareholders of ScanSource, Inc. ( ScanSource, we, us, our, or the Company ) in connection with the solicitation by our Board of Directors (our of proxies to be voted at the Annual Meeting of Shareholders to be held on Thursday, December 3, 2015, at 10:30 a.m., Eastern Standard Time, at the Marriott Hotel, One Parkway East, Greenville, South Carolina 29615, and any postponement or adjournments thereof (the 2015 Annual Meeting ). The Proxy Statement contains information relating to the proposals to be voted upon at the meeting, the voting process, our Board, the compensation of our Named Executive Officers (as defined in Executive Compensation Compensation Discussion and Analysis Executive Summary ), and certain other information.

The solicitation of proxies is being made by our directors and employees, and the cost of soliciting proxies will be borne by the Company. We have engaged Alliance Advisors to assist us with the solicitation of proxies and expect to pay them a fee of \$13,500 plus out-of-pocket expenses. Copies of solicitation materials may be furnished to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our common stock, and normal handling charges may be incurred for such forwarding service. The Company will bear the expense of such charges. Solicitation of proxies may be made by mail, personal interview, telephone and facsimile by our executive officers, directors and other employees, who will receive no additional compensation for their services.

Our mailing address for purposes of this Proxy Statement and principal executive offices are located at 6 Logue Court, Greenville, South Carolina 29615.

**Proposals to be Considered and Vote Required**

The following proposals will be voted upon at the 2015 Annual Meeting:

The election of the six individuals named in this Proxy Statement to serve as members of our Board of Directors for a one-year term, each to serve until the 2016 Annual Meeting of Shareholders and until his successor is duly elected and qualified;

An advisory vote to approve the compensation of our Named Executive Officers; and

The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016.

Only shareholders of record on October 8, 2015 (the record date ) will be entitled to vote at the 2015 Annual Meeting, and each share will be entitled to one vote. At the close of business on the record date, there were 27,211,841 shares of our common stock outstanding and entitled to vote at the 2015 Annual Meeting.

All of such shares are eligible to be voted on each matter currently scheduled to come before the 2015 Annual Meeting. All shares of our common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the



**Table of Contents**

manner specified. If no specification is made, properly executed and returned proxies will be voted FOR all director nominees, FOR approval, on an advisory basis, of the compensation of our Named Executive Officers, and FOR ratification, on an advisory basis, of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016. Management is not aware of any matters, other than those specified herein, that will be presented for action at the 2015 Annual Meeting. If other matters are properly presented at the 2015 Annual Meeting for consideration, the agents named on the proxy card will have the discretion to vote on those matters for you.

Our Bylaws provide that the presence in person or by proxy of the holders of a majority of the outstanding shares of common stock entitled to vote at the 2015 Annual Meeting is necessary to constitute a quorum at the 2015 Annual Meeting and at any adjournments thereof. Signed proxies that withhold authority to vote for directors or reflect abstentions or broker non-votes (as described below) will be counted for purposes of determining if a quorum is present at the 2015 Annual Meeting. If a quorum is not present or represented at the 2015 Annual Meeting, the shareholders holding a majority of the shares at the meeting, in person or by proxy, have the power to adjourn the meeting. At any such reconvened meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally scheduled.

Brokers that are members of certain securities exchanges and who hold shares of our common stock in street name on behalf of beneficial owners have authority to vote on certain items when they have not received instructions from beneficial owners. Proposals number one and two in this Proxy Statement are considered non-discretionary items, and a broker non-vote occurs when brokers do not receive voting instructions from beneficial owners with respect to these proposals. Under applicable securities exchange rules, our proposal to ratify the appointment of the independent registered public accounting firm is considered a discretionary item.

Assuming the existence of a quorum at the 2015 Annual Meeting:

The six nominees receiving the greatest number of the votes cast at the 2015 Annual Meeting will be elected as directors. Withheld votes and broker non-votes, if any, are not treated as votes cast, and therefore will have no effect on the outcome of the vote on this proposal.

The compensation of our Named Executive Officers will be approved, on an advisory basis, if the votes cast in favor of the proposal exceed the votes cast against the proposal. Abstentions and broker non-votes, if any, are not treated as votes cast, and therefore will have no effect on the outcome of the vote on this proposal. Because your vote is advisory, it will not be binding on the Company, our Board of Directors or our Compensation Committee. However, the Board of Directors and the Compensation Committee will consider the outcome of the vote when making future compensation decisions for our executive officers.

The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2016, on an advisory basis, will be approved if the votes cast in favor of the proposal exceed the votes cast against the

## **Table of Contents**

proposal. Abstentions will not be treated as votes cast, and therefore will have no effect on the outcome of the vote on this proposal. If your shares are held in street name and you do not provide voting instructions to your broker, your broker has discretionary authority to vote your shares with respect to this proposal.

### **How to Vote**

Each shareholder is entitled to one vote for each share of common stock on all matters presented at the 2015 Annual Meeting. Shareholders do not have the right to cumulate their votes for the election of directors. Shares may be voted by the following procedures:

***Voting In-Person.*** Shares held directly in your name as the shareholder of record may be voted in person at the 2015 Annual Meeting. If you choose to vote in person at the 2015 Annual Meeting, please bring your proxy card and proof of personal identification. Shares held in street name may be voted in person by you only if you obtain a legal proxy from the shareholder of record giving you the right to vote the shares. If you need directions to the 2015 Annual Meeting, please contact our Investor Relations Director at (864) 286-4892.

***Voting via the Internet.*** Shares may be voted via the internet. Your voting instructions will be accepted until 11:59 p.m., Eastern Standard Time, on December 2, 2015. Have your proxy card in hand when you access the website and follow the instructions given.

***Voting via Telephone.*** Shares may be voted via any touch-tone telephone by following the instructions on your proxy card. Your voting instructions will be accepted until 11:59 p.m., Eastern Standard Time, on December 2, 2015. Have your proxy card in hand when you call and follow the instructions given.

***Voting via Mail.*** Shares may be voted via mail by marking, signing and dating your proxy card and returning it in the postage-paid envelope found in your proxy package.

Even if you currently plan to attend the 2015 Annual Meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting. Submitting your proxy via internet, mobile device, telephone or mail does not affect your right to vote in person at the 2015 Annual Meeting.

### **Voting of Proxies**

By giving your proxy, you grant the right to vote your shares to Michael L. Baur, our Chief Executive Officer, and John J. Ellsworth, our Executive Vice President, General Counsel and Corporate Secretary. If you return a signed, but unmarked proxy card, your shares will be voted (i) **FOR** the election of each of the director nominees named herein, (ii) **FOR** approval, on an advisory basis, of the compensation of our Named Executive Officers, and (iii) **FOR** ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal year 2016.

## **Table of Contents**

If you are a registered shareholder (meaning, a shareholder who holds share certificates issued in his or her name and therefore appears on the share register) and have executed a proxy, your proxy may be revoked at any time prior to such proxy being exercised. Such right of revocation is not limited by or subject to compliance with any formal procedure, but may be accomplished by (i) voting again via the internet, any mobile device or telephone, (ii) requesting, completing and returning a second proxy card bearing a later date, (iii) giving written notice to the Corporate Secretary of the Company, or (iv) by voting in person at the 2015 Annual Meeting.

If your shares are held in the name of a broker, bank or other holder of record, you should follow the voting instructions you receive from the holder of record to revoke or change your vote.

## **CORPORATE GOVERNANCE**

### **Director Independence**

In accordance with the listing standards of The NASDAQ Stock Market ( **NASDAQ** ) and our Corporate Governance Guidelines (the **Guidelines** ), our Board of Directors consists of a majority of independent directors. The Board has determined that all members of the Board other than Mr. Baur meet the requirements for being independent as defined in the U.S. Securities and Exchange Commission ( **SEC** ) rules and regulations and NASDAQ listing standards.

Pursuant to our Bylaws, the Board has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 (the **Exchange Act** ), a Compensation Committee, a Governance Committee and a Nominating Committee. The Audit, Compensation, Governance and Nominating committees are comprised only of independent directors. In addition, under our Corporate Governance Guidelines executive officers are prohibited from serving as a director of another company that concurrently employs a director of the Company.

### **Board Leadership Structure**

For the past fifteen years, the positions of Chairman of the Board and CEO have been held by separate persons as an aid in the Board's oversight of management. Our non-executive Chairman of the Board is Mr. Fischer. The duties of the non-executive Chairman of the Board include:

presiding over all meetings of the Board;

reviewing the agenda for Board meetings in consultation with our CEO and other members of the Board;

calling and presiding over meetings of the independent directors;

managing the Board's process for annual director self-assessment and evaluation of the Board and of our CEO;  
and





## **Table of Contents**

presiding over all meetings of shareholders.

The Board believes that there may be advantages to having an independent chairman for matters such as communications and relations between the Board, our CEO and other senior management; in assisting the Board in reaching consensus on particular strategies and policies; and, in facilitating a robust director, Board and CEO evaluation processes. Our Board currently consists of five non-employee directors and our CEO, Mr. Baur. One of Mr. Fischer's roles is to oversee and manage the Board and its functions, including setting meeting agendas and presiding over Board meetings. In this regard, Mr. Fischer and the Board in their advisory and oversight roles are particularly focused on overseeing our CEO and senior management in their pursuit and adoption of successful business strategies, risk management policies, and management succession plans. In the event that these positions are ever served by the same person, our Corporate Governance Guidelines provide the Board shall appoint a Lead Independent Director.

## **Board and Committee Meetings in 2015**

The Board of Directors met a total of sixteen times during the fiscal year ended June 30, 2015. Mr. Fischer served as the non-executive Chairman of the Board during the entire fiscal year. Committees of the Board met a total of fourteen times during the fiscal year ended June 30, 2015. All directors attended at least 75% of Board and committee meetings that occurred during their tenure as a director during the fiscal year ended June 30, 2015. We expect all Board members to attend the 2015 Annual Meeting. All of our directors attended the 2014 Annual Meeting of Shareholders.

## **Board's Role in Risk Oversight**

The Board as a whole actively oversees the risk management of the Company. Enterprise risks – the specific financial, operational, business and strategic risks that we face, whether internal or external – are identified by the Board and management together, and then each risk is assigned to the full Board or a Board committee for oversight. Certain strategic and business risks, such as those relating to our products, markets and capital investments, are overseen by the entire Board. The Audit Committee oversees management of market and operational risks that could have a financial impact, or impact financial reporting, such as those relating to internal controls or liquidity. The Nominating Committee and the Governance Committee manage the risks associated with governance issues, such as the independence of the Board, and the Compensation Committee is responsible for managing the risks relating to our executive compensation plans and policies and, in conjunction with the Board, key executive succession. Management regularly reports to the Board or relevant committee on actions that we are taking to manage these risks. The Board and management periodically review, evaluate and assess the risks relevant to the Company.

## **Director Education**

Each member of the Board has completed accredited director education programs. Annually, the Company provides director education with the assistance of external experts on topics relevant to the Company. The Company and each Board member are members of the National Association



## **Table of Contents**

of Corporate Directors ( NACD ). As members of NACD and through other external director education service providers, the Company and each Board member have access to various programs, materials, reports, and research teams.

### **Corporate Governance Guidelines**

The Board has established Guidelines that address various governance matters including the role, function, responsibilities, size and composition of the Board of Directors, Board tenure, service on other public company boards, conflict of interest issues, executive sessions of non-management directors, review of committee charters and the Board self-evaluation process. A copy of the Guidelines is available on the Investors page of our website, [www.scansource.com](http://www.scansource.com), under the Governance tab.

### ***General Board Functions***

The Guidelines set forth general functions of the Board, including holding regular and, where appropriate, special meetings, periodically reviewing management's performance and our organizational structure, reviewing and approving corporate strategy, determining compensation for our Named Executive Officers and awarding equity-based compensation, overseeing our accounting and financial reporting process and audits of our financial statements, and identifying potential candidates for Board membership.

### ***Retention of Independent Advisors***

The Guidelines provide that the Board of Directors may retain independent advisors when appropriate.

### ***Succession Planning***

Our Board of Directors engages in an active succession planning process. On a periodic basis, with the assistance of our CEO, it reviews the potential in-house candidates for each of the critical senior management positions and identifies areas of growth for those candidates that will best enable them to fill any need that we might have. Where there is not a satisfactory in-house candidate for a position, the Board considers whether outside candidates are likely to be available in a timely manner and whether other alternatives need to be considered.

### ***Board Tenure***

The Board of Directors is elected annually and is not classified.

### ***Composition of Board***

The Board of Directors currently consists of six members. The size of the Board of Directors may be increased or decreased by resolution of the Board of Directors.

The Guidelines provide that a majority of the Board will at all times be independent. Through the Nominating Committee, the Board will identify potential candidates for Board membership with the objective being that all new, non-management candidates will be independent. The



## **Table of Contents**

Nominating Committee will confirm the independence of the non-management directors on an annual basis. The Board of Directors has determined that each of Messrs. Fischer, Grainger, Reilly, Whitchurch and Browning meet the requirements for being independent as defined in SEC rules and regulations and NASDAQ listing standards. Mr. Baur is the only management member of the Board.

### ***Service on Other Public Company Boards***

A director may serve on no more than four public boards of directors (including the Company's Board). The CEO shall not serve on the board of directors for more than three public companies (including the Company's Board). All members of the Board, including the CEO, are compliant with the Guidelines regarding service on boards and audit committees of other public companies.

### ***Executive Sessions of Independent Directors***

Pursuant to the Guidelines, independent directors must meet regularly without management present. Our independent directors met six times in executive session during fiscal 2015.

### ***Director Evaluations and Reviews***

In accordance with the Guidelines, the Board and the Governance Committee conduct periodic performance reviews of the Board of Directors and its committees. As a part of the evaluation process, the Board and committees meet and discuss self-assessments and corporate governance matters.

### ***Director Resignation***

The Guidelines provide that a director will tender his resignation if, in an uncontested election, the director fails to receive a greater number of votes for election than votes withheld from such election.

### ***Claw-Back Policy***

The Company's claw-back policy applies to certain officers of the Company (a Covered Officer), which include all executive officers of the Company (as determined from time to time by the Board or the Compensation Committee), and such other employees who are participants in the Company's equity incentive plans and cash incentive plans who may from time to time be deemed subject to the policy by the Board or the Compensation Committee. Under the policy, if a Covered Officer receives an award under the applicable plan based on financial statements that are subsequently restated in a way that would decrease the amount of the award to which such person was otherwise entitled and the restatement is based in whole or in part on the misconduct of the Covered Officer, the Covered Officer will refund to the Company the difference between what he or she received and what he or she should have received. In addition, this policy will require the recoupment of any compensation as mandated by all applicable laws, rules, and regulations.

**Table of Contents**

***Anti-Pledging Policy***

Under the Company's anti-pledging policy, officers and directors are prohibited from holding Company securities in margin accounts or pledging Company securities as collateral for a loan. All executive officers and directors are in compliance with this policy.

***Anti-Hedging Policy***

The Board has adopted an anti-hedging policy that covers employees, officers and directors of the Company. The policy provides that certain hedging transactions are prohibited by the Company's employees, officers and directors, although the Company may permit a hedging transaction in limited circumstances, if prior approval is obtained for such transaction. No such approval has ever been sought or given. All executive officers and directors are in compliance with this policy.

**CORPORATE SOCIAL RESPONSIBILITY**

We are committed to our local communities. Through our philanthropic pursuits and our focus on sustainability, we create better places for our employees and neighbors to work and live.

With a focus on education and workforce training, last year we donated over \$3.7 million to over 80 local non-profit organizations. Our employees and executives also devote over 2,000 hours of their time each year to serve as volunteers in local schools, colleges and universities. These efforts positively impact our business as we increase community support, provide our employees with greater opportunities for leadership development and training and improve the job satisfaction of our employees.

This year we had the unique and exciting opportunity to partner with other South Carolinians to fund every existing grant request for South Carolina on the education crowd-funding non-profit website, DonorsChoose.org. On DonorsChoose.org, teachers create projects by requesting items to facilitate learning and educational growth for their students. Donors then have the opportunity to support South Carolina teachers in their efforts to provide a richer educational experience for their students. Over 1,000 projects requested by over 800 teachers were funded. Over 375 schools benefited from this funding.

Table of Contents**PROPOSAL NUMBER 1 - ELECTION OF DIRECTORS**

The Company has nominated the individuals listed below to serve as members of our Board until his successor is duly elected and qualified at the 2016 Annual Meeting of Shareholders or, if earlier, his death, resignation or removal. Each of the nominees is currently a director of the Company.

Each of the proposed nominees has consented to stand for election as members of our Board. We believe that each of our current directors has served our shareholders' interests well during his tenure as a director and will continue to do so. We believe that the Company and our shareholders benefit from the wide variety of industry and professional experience that characterizes the members of our Board.

The following sets forth certain information regarding our current directors, including each director's specific experience, qualifications, attributes and skills that led our Board to conclude that each nominee is well qualified to serve as a member of the Board.

**Information Regarding Nominees for Director**

Name	Experience and Qualifications	Age	Served as
			Director
			Since
<b>Steven R. Fischer</b>	<b>Steven R. Fischer</b> has served as Chairman of the Board since December 2009 and as a director of the Company since December 1995. Mr. Fischer served as President of North Fork Business Capital Corporation and its successor, Capital One Leverage Finance, from July 2004 to July 2008, and served as President of Transamerica Business Capital Corporation from September 2000 to February 2004, as Executive Vice President and Division Manager of Transamerica Business Capital Corporation from October 1997 to September 2000 and as Senior Vice President and Regional Manager of Transamerica Business Capital Corporation from March 1992 to October 1997. Mr. Fischer is currently a financial consultant and serves as a director of Falconstor Software Inc., a publicly held provider of storage networking infrastructure software, and Keltic Financial Services, LLC, a privately held finance company.	70	December 1995
	Mr. Fischer is a seasoned executive and has valuable experience in overseeing management and strategic acquisitions. He brings to the		

Table of Contents

Name	Experience and Qualifications	Age	Served as
			Director
			Since
	<p>Board extensive financial skills important to the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance matters. Mr. Fischer's long career in the financial services industry also brings financial management expertise to our Board. His experience is important to the Board's oversight of strategy, compensation practices, acquisitions, risk management and implementation of sound corporate governance practices. He serves on each committee of our Board of Directors.</p>		
<b>Michael L. Baur</b>	<p><b>Michael L. Baur</b> has served as our CEO since January 2000 and as a director since December 1995. Mr. Baur has been employed with the Company since its inception in December 1992, and held the position of President from that point until June 2007.</p> <p>Mr. Baur has served the Company as President or CEO since its inception and has developed a deep institutional knowledge and perspective regarding the Company's strengths, challenges and opportunities. Mr. Baur has more than 30 years of experience in the IT industry, having served in various leadership and senior management roles in the technology and distribution industries before joining ScanSource, Inc. Mr. Baur brings strong leadership, entrepreneurial and business building and development skills and experience to the Board. Mr. Baur does not serve on any committee of our Board of Directors.</p>	58	December 1995
<b>Peter C. Browning</b>	<p><b>Peter C. Browning</b> has served as a director of the Company since June 2014. He has extensive experience in business, serving as an executive officer of a number of public companies, including Continental Can Company, National Gypsum Company and Sonoco Products Company. He has also served on more than 12 public company boards,</p>	73	June 2014



Table of Contents

Name	Experience and Qualifications	Age	Served as Director Since
<b>Michael J. Grainger</b>	<p>including Wachovia, Nucor Corporation, Lowe's Companies, EnPro Industries, Inc., and The Phoenix Companies, in a variety of board leadership roles, including serving as non-executive chair, lead director and chair of audit, compensation and governance/nominating committees. Mr. Browning currently serves as lead director of Acuity Brands. He also serves as lead independent director of the board of Equilar, a private company that is the leading provider of corporate data.</p> <p>Mr. Browning is a well-known authority on board governance. He was the Dean of the McColl Graduate School of Business at Queens University of Charlotte from 2002 to 2005 and has served as the Managing Partner of Peter Browning Partners, a board advisory consulting firm, since 2009. Mr. Browning was selected for the 2011 and 2012 NACD Director 100 List (a list of the most influential people in corporate governance in the boardroom). He recently co-authored a book on governance guidance, titled <u>The Directors Manual: A Framework for Board Governance</u>, which offers practical advice on leading an organization's board. Mr. Browning serves on each committee of our Board of Directors.</p>	63	October 2004

Table of Contents

Name	Experience and Qualifications	Age	Served as Director Since
<b>John P. Reilly</b>	<p>As a former executive of Ingram Micro (including serving as its Chief Financial Officer), Mr. Grainger brings extensive knowledge of our industry and our competition to the Board. He also brings extensive accounting and financial skills important in the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance, tax and treasury matters. Mr. Grainger serves as the Chairman of our Compensation Committee and serves on our Audit Committee, Nominating Committee and Governance Committee.</p> <p><b>John P. Reilly</b> has served as a director of the Company since June 2001. Mr. Reilly is currently a partner of Ares Management, LLC, which recently acquired Keltic Financial Services, LLC in Tarrytown, New York, where Mr. Reilly was President and CEO from 1999 to June 2014. Prior to that, from 1977 to 1999, he held senior management positions in the Leveraged Buy-Out, Leasing, Corporate Finance and Private Banking divisions at Citibank, N.A. Mr. Reilly also serves on the Board of Directors of Chimera Investment Corporation, a public real estate investment trust.</p> <p>Mr. Reilly brings to the Board extensive financial skills important in the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance matters. His long career in the financial services industry, along with his MBA in Finance from Fairleigh Dickinson University, also brings financial management expertise to our Board. Mr. Reilly serves as Chairman of the Nominating Committee and Governance Committee and serves on our Audit Committee and Compensation Committee.</p>	67	June 2001

Table of Contents

Name	Experience and Qualifications	Age	Served as Director Since
<b>Charles R. Whitchurch</b>	<p><b>Charles R. Whitchurch</b> has served as a director of the Company since February 2009. Mr. Whitchurch served as the Chief Financial Officer of Zebra Technologies Corporation from September 1991 to June 2008. Mr. Whitchurch currently serves on the boards of Ashworth College, a privately held provider of nationally accredited online education, and TricorBraun Holdings, a privately held distributor of rigid packaging materials. In both companies, Mr. Whitchurch serves as Chairman of the Audit Committee. Mr. Whitchurch previously served on the boards of directors of SPSS, Inc., a publicly held provider of predictive analytic software, from October 2003 to October 2009 and Landmark Aviation, a privately held operator of fixed base aviation operations throughout the United States and Europe, from October 2008 to October 2012. On both boards, he served as Chairman of the Audit Committee.</p> <p>Mr. Whitchurch's executive career brings in-depth knowledge of business operations and strategy and broad experience related to financial and corporate governance matters through his tenure serving on the boards of directors of public companies, including serving as the chairman of audit committees. Mr. Whitchurch serves as the Chairman of our Audit Committee and serves on our Compensation Committee, Nominating Committee and Governance Committee.</p>	69	February 2009

**The Board of Directors unanimously recommends that shareholders vote FOR each of the nominees listed above.**

**Table of Contents****2015 Director Compensation Table**

The following table provides information regarding the compensation paid to each of our non-employee directors for the fiscal year ended June 30, 2015.

Name	Fees Earned or Paid in		Total (\$)
	Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	
Steven R. Fischer	101,500	119,277	220,777
Peter C. Browning	68,000	119,277	187,277
Michael J. Grainger	86,500	119,277	205,777
John P. Reilly	75,500	119,277	194,777
Charles R. Whitchurch	96,500	119,277	215,777

<sup>(1)</sup> Amounts shown are the aggregate grant date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see Note 10 to our audited financial statements for the fiscal year ended June 30, 2015, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, accompanying this Proxy Statement. The total number of stock options held by each of the non-employee directors as of June 30, 2015 was: Mr. Fischer, 7,000, Mr. Browning, zero, Mr. Grainger, zero, Mr. Reilly, 7,000 and Mr. Whitchurch, zero. Each non-employee director received a restricted stock award on December 5, 2014 for 2,900 shares that vested in May of 2015.

**Cash Retainers**

Directors who are not our employees are paid an annual retainer of \$50,000. An additional annual retainer of \$30,000 is paid, as applicable, to a non-executive Chairman (or acting Chairman) of the Board of Directors. An additional annual retainer of \$25,000 is paid to the chairman of the Audit Committee and an additional annual retainer of \$15,000 is paid to the chairman of the Compensation Committee. Additional annual retainers of \$2,000 are paid to the chairmen of the Nominating Committee and the Governance Committee. Annual service for this purpose relates to the approximate 12-month periods between annual meetings of our shareholders. Non-employee directors also receive meeting fees of \$750 for each Board meeting attended; \$1,000 for each Audit Committee meeting attended; and \$500 for each other stand-alone committee meeting attended. All directors are reimbursed for expenses incurred in connection with the performance of their services as directors.

**Equity Retainers**

Our non-employee directors receive an annual equity retainer (in the form a stock grant of restricted common stock) under the ScanSource, Inc. 2013 Long-Term Incentive Plan (the 2013 Plan ). In addition, non-employee directors may also be eligible to receive other awards under our 2013 Plan.

The number of shares of restricted stock subject to a director's annual restricted stock award is determined by dividing \$100,000 by the equity award value per share on the grant date. The equity award value means the value per share

based on a 45-day averaging of the fair market

## **Table of Contents**

value of the common stock over a specified period of time, or the fair market value of the common stock on a specified date. The date of grant of the annual restricted stock awards is the day following each annual shareholders meeting unless the Board modifies, suspends or delays the grant date because the grant date would not occur during an open window for stock transactions under the Company's insider trading compliance program or if the Board otherwise determines that modification, suspension or delay of the grant date is necessary or appropriate.

A person who first becomes a non-employee director on a date other than a regularly scheduled annual meeting of shareholders will receive a restricted stock award for a pro-rated number of shares of common stock. Restricted stock may not be transferred or sold until it has vested. Restricted stock granted under the 2013 Plan will vest in full on the day that is six months after the date of grant, or upon the earlier occurrence of (i) the director's termination of service as a director by reason of death, disability or retirement, or (ii) a change in control of the Company. If a director terminates service for any other reason, he or she will forfeit all of his or her right, title and interest in and to the unvested restricted stock as of the date of termination, unless the Board or the Compensation Committee determines otherwise.

## **Stock Ownership and Retention Policy**

Under the equity ownership policy, directors are expected to hold five times their annual board cash retainer in Company securities. The policy also incorporates a retention requirement by requiring such persons to retain 50% of the net shares resulting from the vesting of certain awards to obtain the required ownership under the policy.

## **Committees of the Board**

The Board has standing Audit, Compensation, Governance and Nominating committees, each of which has a written charter. Copies of the charter for each Board committee, as well as our Corporate Governance Guidelines, are available on the Investors page of our website, [www.scansource.com](http://www.scansource.com), under the Governance tab. The following table depicts the chairperson of each committee, the membership of each of the Board's committees and the Chairman of the Board:

**Table of Contents**

	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Governance Committee</b>	<b>Nominating Committee</b>
Steven R. Fischer				
Michael L. Baur				
Michael J. Grainger		<i>C</i>		
John P. Reilly			<i>C</i>	<i>C</i>
Charles R. Whitchurch	<i>C</i>			
Peter C. Browning				
	<i>C</i> <i>Chairperson</i>	<i>Member</i>	<i>Chairman of the Board</i>	

***Audit Committee***

The Audit Committee is currently composed of Chairman Whitchurch and Messrs. Fischer, Grainger, Reilly and Browning and is therefore comprised solely of independent directors. The functions of the Audit Committee include selecting the independent auditor, reviewing the scope of the annual audit undertaken by our independent auditor and the progress and results of their work, reviewing our financial statements and our internal accounting and auditing procedures and overseeing our internal audit function. None of our directors who are also executive officers may serve on the Audit Committee. The Audit Committee met five times during the fiscal year ended June 30, 2015. Each member of the Audit Committee meets the definition of independence for audit committee members as set forth in the NASDAQ listing standards. The Board has determined that all members of the Audit Committee meet the requirements of an audit committee financial expert as defined in SEC rules and regulations.

***Compensation Committee***

The Compensation Committee is currently composed of Chairman Grainger and Messrs. Fischer, Reilly, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Compensation Committee include reviewing and approving executive compensation policies and practices, reviewing salaries and bonuses for our Named Executive Officers, overseeing our equity-based plans, overseeing compensation risk assessment and considering such other matters as may from time to time be referred to the Compensation Committee by the Board. None of our directors who are also executive officers may serve on the Compensation Committee. The Compensation Committee met seven times during the fiscal year ended June 30, 2015. See [Executive Compensation Discussion and Analysis](#) for a further discussion of the Compensation Committee's processes and procedures for the consideration and determination of executive compensation.



## **Table of Contents**

### ***Governance Committee***

The Governance Committee is currently composed of Chairman Reilly and Messrs. Grainger, Fischer, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Governance Committee include oversight and responsibility for implementation of the Company's program for complying with the rules and regulations of the SEC and NASDAQ (in conjunction with the Audit Committee, where necessary or appropriate) as well as other NASDAQ rulemaking initiatives pertaining to corporate governance considerations. The Governance Committee held one committee meeting in the fiscal year ended June 30, 2015.

### ***Nominating Committee***

The Nominating Committee is currently composed of Chairman Reilly and Messrs. Fischer, Grainger, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Nominating Committee include oversight and responsibility for the recruitment and nomination of our directors from time to time including, but not limited to, the nomination of directors for election at each annual meeting of our shareholders. The Nominating Committee held one committee meeting during the fiscal year ended June 30, 2015.

### **Candidates for the Board**

The Nominating Committee will identify and screen potential nominees for directors and recommend nominees to the Board. The Nominating Committee has not adopted specific objective requirements for service on the Board. Instead, the Nominating Committee will consider various factors in determining whether to recommend to the Board potential new Board members, or the continued service of existing members, including the nominee's experience and skills and whether such skills or experience are particularly relevant to us; whether the nominee would be an independent director under NASDAQ listing standards and applicable law; and in the case of existing members, the nominee's contributions as a member of the Board during his or her prior service. The Nominating Committee strives to nominate directors with a variety of complementary skills so that the Board, as a whole, will possess the appropriate talent, skills and expertise to oversee our business.

### **Communications with the Board**

Our security holders may send written communications to the Board or any one or more of the individual members of the Board by directing such communication to our Corporate Secretary by mail in the care of the Corporate Secretary, John Ellsworth, at our principal executive offices, or by e-mail to [john.ellsworth@scansource.com](mailto:john.ellsworth@scansource.com). All written communications will be compiled by the Corporate Secretary and promptly submitted to the individual directors being addressed or to the chair of the committee whose areas of responsibility include the specific topic addressed by such communication, or in all other cases, to the Chairman of the Board.

### **Code of Ethics**

Our Code of Conduct applies to all of our executive officers, including our CEO and our Chief Financial Officer ( CFO ), directors and employees. We will provide a copy of the Code of

## **Table of Contents**

Conduct upon request to any person without charge. Such requests may be transmitted by regular mail in the care of the Corporate Secretary. We have posted the Code of Conduct on the [Investors](#) page of our website, [www.scansource.com](http://www.scansource.com), under the [Governance](#) tab.

We will post on our website, [www.scansource.com](http://www.scansource.com), under the [Governance](#) tab, or will disclose on a Form 8-K filed with the SEC, any amendments to, or waivers from, a provision of the Code of Conduct that apply to our CEO and our CFO, or persons performing similar functions, and that relate to (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Conduct to an appropriate person or persons identified in the Code of Conduct, or (v) accountability for adherence to the Code of Conduct. Any waiver granted to an executive officer or a director may only be granted by the Board and will be disclosed, along with the reasons therefor, on a Form 8-K filed with the SEC. No waivers were sought or granted in fiscal 2015.

## **Compensation Committee Interlocks and Insider Participation**

During the fiscal year ended June 30, 2015, Messrs. Fischer, Grainger, Reilly, Whitchurch and Browning served on the Compensation Committee. No member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries during the fiscal year ended June 30, 2015, or at any time prior thereto. During the fiscal year ended June 30, 2015, no member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K, and no executive officers served on the compensation committee (or equivalent) or the board of directors, of another entity whose executive officer(s) served on our Board of Directors or Compensation Committee.

## **Certain Relationships and Related Party Transactions**

The Audit Committee reviews all related party transactions as defined by Item 404 of Regulation S-K in accordance with NASDAQ listing standards. In addition, the charter of the Audit Committee requires the Audit Committee to review a summary of any director's or officer's related party transactions and potential conflicts of interest on a yearly basis. The charter also requires the Audit Committee to review our conflict of interest policy (which is part of our Code of Conduct) and compliance with that policy on an annual basis.

We are not aware of any related party transaction since the beginning of the last fiscal year required to be reported under our policy or applicable SEC rules for which our policies and procedures did not require review or for which such policies and procedures were not followed.

There are no family relationships among the executive officers and directors, and there are no arrangements or understandings between any independent director or any other person pursuant to which that independent director was selected as a director.

**Table of Contents**

**Recommendation of Board of Directors**

**The Board of Directors unanimously recommends that shareholders vote **FOR** each of the Nominees previously listed in this Proxy Statement.**

**Table of Contents**

**PROPOSAL NUMBER 2 - ADVISORY VOTE ON EXECUTIVE COMPENSATION**

**Background of the Proposal**

As required by Section 14A of the Exchange Act, we are providing our shareholders with the opportunity at the 2015 Annual Meeting to vote on a non-binding advisory resolution, commonly known as a "Say on Pay" proposal, considering approval of the compensation of our Named Executive Officers. The Company currently holds this non-binding advisory vote annually. Last year, 96.8% of our shareholders voting at our annual shareholder's meeting approved the compensation of our 2014 Named Executive Officers. There have been no material changes to our compensation programs this year. This vote is not intended to address any specific item of compensation or the compensation of any specific named executive officer, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this Proxy Statement. Such discussion is found on pages 24 through 58 of this Proxy Statement.

**Executive Compensation**

The Compensation Committee has overseen the development of a compensation program designed to attract, retain and motivate executives who enable us to achieve our strategic and financial goals. The Compensation Discussion and Analysis and the executive compensation regarding Named Executive Officer compensation, together with the accompanying narrative disclosure, illustrate the trends in compensation and application of our compensation philosophies and practices for the years presented. Highlights of our compensation program include the following:

Variable cash incentives are payable to Named Executive Officers to encourage the achievement of various pre-determined performance metrics, business growth opportunities, management goals and profitability of business units, all of which focus our Named Executive Officers on performance goals intended to enhance shareholder value.

Awards of long-term equity incentives, in the form of performance-based stock awards, stock options, restricted stock awards and restricted stock units, directly align the interests of our Named Executive Officers and shareholders.

Linking the personal financial interests of our Named Executive Officers to the Company's long-term performance discourages excessive risk-taking and encourages behavior that supports sustainable shareholder value creation.

The Board's adoption of new policies covering stock ownership and retention, incentive compensation recoupment, and anti-pledging and anti-hedging for executive officers mitigate risk in connection with our executive compensation program.

The Compensation Committee believes that our executive compensation program achieves an appropriate balance between fixed compensation and variable incentive compensation, pays for



**Table of Contents**

performance and promotes an alignment between the interests of our Named Executive Officers and our shareholders. Accordingly, we are asking our shareholders at the 2015 Annual Meeting to vote **FOR** the non-binding advisory resolution approving the compensation of our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including in the Compensation Discussion and Analysis, compensation tables, and narrative discussion below.

**Effect of Resolution**

Because your vote is advisory, it will not be binding upon the Company, the Compensation Committee or the Board of Directors. However, the Compensation Committee and the Board value the opinion of our shareholders and will take the outcome of the vote into account when considering future executive compensation arrangements.

**Recommendation of Board of Directors**

The Board of Directors also believes that our executive compensation program aligns our Named Executive Officers compensation with the long-term interests of our shareholders. Our program is guided by the philosophy that total executive compensation should vary based on achievement of goals and objectives, both individual and corporate, and should be focused on long-term strategies to build shareholder value. The Board believes that our philosophy and practices have resulted in executive compensation decisions that are aligned with shareholder interests and that have benefited and will benefit the Company over time.

**For the reasons stated above, we recommend a vote **FOR** the following advisory resolution at our 2015 Annual Meeting:**

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed in the Proxy Statement for our 2015 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, Named Executive Officer compensation tables and related narrative discussion, is hereby APPROVED.

**Table of Contents****PROPOSAL NUMBER 3 - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee has appointed the firm of Grant Thornton LLP ( Grant Thornton ), an independent registered public accounting firm, as independent auditor to make an examination of our accounts for the fiscal year ending June 30, 2016, which appointment has been ratified by the Board. See the Audit Committee Report below for more information. If the shareholders do not ratify this appointment, other independent registered public accounting firms will be considered by the Audit Committee. A representative of Grant Thornton is expected to be in attendance at the 2015 Annual Meeting and will have the opportunity to make a statement and be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

As reflected in the table below, we incurred fees in fiscal 2015 and 2014 for services performed by Grant Thornton related to such periods.

	<b>Year Ended June 30, 2015</b>	<b>Year Ended June 30, 2014</b>
Audit Fees	\$ 1,539,188	\$ 1,211,372
Audit-Related Fees	\$ 255,078	\$ 4,000
Tax Fees	\$ 34,133	\$ 3,404
All Other Fees	\$ 5,249	\$
<b>Total Fees</b>	<b>\$ 1,833,648</b>	<b>\$ 1,218,776</b>

In the above table, in accordance with applicable SEC rules:

Audit Fees are fees billed by the independent auditor for professional services for the audit of the consolidated financial statements included in our Form 10-K, the audit of internal control over financial reporting and review of financial statements included in our Form 10-Q's and services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements;

Edgar Filing: SCANSOURCE INC - Form DEF 14A

**Audit-Related Fees** are fees for services performed during fiscal 2015 and 2014 by our independent auditor for due diligence services and their review of other SEC filings and communications; and

**Tax Fees** are fees for services performed during the respective years by our independent auditor for professional services related to certain foreign tax compliance, tax advice and tax planning.



**Table of Contents**

All Other Fees are fees related to services other than those reported under Audit Fees, Audit-Related Fees, and Tax Fees. For the fiscal year ended June 30, 2015, All Other Fees consists of fees for training services for certain foreign employees.

**Audit Committee's Pre-approval Policies and Procedures**

It is the policy of the Audit Committee to pre-approve all audit and permitted non-audit services proposed to be performed by our independent auditor. All audit and permitted non-audit services performed in fiscal 2015 were pre-approved by the Audit Committee. The process for such pre-approval is typically as follows: Audit Committee pre-approval is sought at one of the Audit Committee's regularly scheduled meetings following the presentation of information at such meeting detailing the particular services proposed to be performed. The authority to pre-approve non-audit services may be delegated by the Audit Committee, pursuant to guidelines approved by the Audit Committee, to one or more members of the Audit Committee. None of the services described above were approved by the Audit Committee pursuant to the exception provided by Rule 2-01(c)(7)(i)(C) under Regulation S-X.

The Audit Committee has reviewed the non-audit services provided by Grant Thornton and has determined that the provision of such services is compatible with maintaining Grant Thornton's independence for the period of time during which it has served as our independent auditor.

**Recommendation of Board of Directors**

**The Board of Directors unanimously recommends that shareholders vote FOR the ratification of the appointment of Grant Thornton as our independent registered public accounting firm for the fiscal year ending June 30, 2016.**

Table of Contents**EXECUTIVE COMPENSATION****Executive Officers**

The following sets forth certain information regarding our current executive officers who are our Named Executive Officers for the fiscal year ending June 30, 2015.

<b>Name</b>	<b>Experience and Qualifications</b>	<b>Age</b>
Michael L. Baur	<b>Michael L. Baur</b> has served as our CEO since January 2000 and as a director since December 1995. Mr. Baur has been employed with the Company since its inception in December 1992, and held the position of President from that point until June 2007.	58
Charles A. Mathis	<b>Charles A. Mathis</b> has served as our Senior Vice President and Chief Financial Officer since joining the Company in December 2012. Effective July 1, 2014, Mr. Mathis was appointed Executive Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Mathis served as Chief Financial Officer of Force Protection, Inc. from 2008 to 2012. From 2006 to 2008 Mr. Mathis served as Chief Financial Officer of EFW, Inc.	55
John J. Ellsworth	<b>John J. Ellsworth</b> has served as our General Counsel and Corporate Secretary since January 2003. He assumed the additional role of Vice President in August of 2008. Effective July 1, 2014, Mr. Ellsworth was appointed Executive Vice President, General Counsel and Corporate Secretary. Prior to joining the Company, Mr. Ellsworth served as Assistant General Counsel of One Price Clothing Stores, Inc. from 2000 to 2003 and as a judicial law clerk in 1999.	47
Gerald Lyons	<b>Gerald Lyons</b> has served as Senior Vice President of Finance and Principal Accounting Officer since July 2012, and served as our Vice President, Financial Business Systems from January 2010 to July 2012. Mr. Lyons joined the Company in April 2007 and also held the position of Vice President, Corporate Controller from April 2007 to January 2010. Prior to joining the Company, Mr. Lyons served as the Plant Controller, Global Group Controller and Plant Manager for Moen Incorporated.	52

**Compensation Discussion and Analysis**

The purpose of this Compensation Discussion and Analysis is to provide information about our compensation objectives and practices for our Named Executive Officers for fiscal 2015. The



**Table of Contents**

Compensation Committee monitors the results of the Say-on-Pay vote and considers those results along with the objectives listed above in determining compensation policies. A substantial majority (over 96.8%) of our shareholders voting at the meeting approved the compensation program described in our 2014 proxy statement. The Compensation Committee interpreted this vote result as a strong indication of support for our current compensation program. In light of this support, and its own independent review of our executive compensation program, the Compensation Committee did not implement any significant changes to the executive compensation program disclosed in our 2014 proxy statement.

**Executive Summary***Objectives of the Compensation Program*

Our executive compensation program is designed to achieve the following three objectives:

<b>Objective</b>	<b>Description</b>
Pay-for-Performance	We emphasize performance-based compensation, which motivates executives and key employees to achieve strong financial, operational and individual performance in a manner that balances short-term and long-term results.
Align Interests of Executives with Shareholders	We encourage a long-term commitment to ScanSource and align the interests of executives with shareholders, by providing a significant portion of total compensation tied to performance, including both variable performance-based bonus structures and stock-based incentives and requiring a target level of stock ownership by our Chief Executive Officer of at least three times base salary.
Retain Talented Leadership	We attract and retain talented Named Executive Officers and key employees by providing total compensation competitive with that of other executives and key employees of similarly sized companies, whether within or outside of our industry.

**Pay-for-Performance**

The guiding principle of our compensation philosophy is that pay should be linked to performance and that the interests of executives and shareholders should be aligned. Our compensation program is designed to provide significant performance-based compensation which is variable based on our actual results and our executives performance, as compared to fixed or guaranteed compensation. The variable and equity-based components of our compensation program are designed to link our executives pay with our performance. As a result, a significant portion of our Named Executive Officers compensation is directly contingent on our operating results (operating income and ROIC) and align with shareholder interests.

**Table of Contents****Align Interests of Named Executive Officers and Shareholders**

In addition to our pay-for-performance program, the Compensation Committee has adopted a number of other compensation policies or best practices designed to align the interests of our Named Executive Officers and our shareholders. These include:

**ScanSource Does**

**Tie a high ratio of the pay of our CEO and Named Executive Officers to corporate and individual performance goals.** For example, for fiscal 2015 approximately 60% of the total compensation opportunity for our CEO was variable performance compensation compared to 17% as guaranteed base salary, or 34% as guaranteed base salary plus retirement contributions.

**Require significant stock ownership.** We have adopted minimum ownership guidelines for our CEO. He is required to retain 50% of the net shares resulting from vesting or exercises of equity awards until he owns Company common stock in an amount equal to three times his base salary. Mr. Baur is currently in compliance with the Company's stock ownership guidelines.

**Mandate a claw-back policy tied to a compensation program.** We maintain a claw-back policy, which would allow us to recover certain incentive compensation based on financial results in the event those results were restated due at least partially to the recipient's fraud or misconduct. In addition, this policy will require the recoupment of any compensation as mandated by all applicable laws, rules, and regulations.

**ScanSource Does Not**

**Permit pledging of our securities by our Named Executive Officers.** We have a policy that prohibits officers and directors from pledging Company securities in margin accounts or as collateral for a loan. All officers and directors are in compliance with this policy.

**Permit hedging of our securities by our Named Executive Officers without pre-clearance from the Company's General Counsel.** We have a policy that prohibits employees (including the Named Executive Officers and Directors) from trading in options, warrants, puts, calls or similar instruments in connection with our securities, or selling our securities short. Since the inception of the policy, no requests for pre-clearance to allow any such hedging transactions have been made or granted.

**Provide automatic cash severance benefits upon a change in control.** Our Employment Agreements for our Named Executive Officers provide cash severance only upon a double trigger, meaning that change in control severance benefits are payable only if our Named Executive Officers incur a qualifying termination of employment (i.e., a voluntary termination for good reason or an involuntary termination without cause) and the termination occurs in connection with a

**Table of Contents**

**ScanSource Does**

**ScanSource Does Not**  
change in control of the Company.

**Provide Golden Parachute Tax Gross Ups.** We do not provide excise tax gross-ups for severance benefits received by our Named Executive Officers under their employment agreements.

**Retain Talented Leadership**

We operate in a marketplace characterized by significant competition for talented executives. Continuity of personnel is a critical success factor to our business. Our executive compensation program is designed to enable us to attract, motivate, reward and retain the management talent necessary to achieve both long-term and short-term corporate objectives and enhance shareholder value. We also aim to establish executive compensation levels that correlate directly to the Named Executive Officer's level of responsibility, with the compensation of our Named Executive Officers being tied both to our performance as a whole and to individual performance. To do this effectively, our philosophy is that our compensation program must provide our Named Executive Officers with a total compensation package that is reasonable in relation to our performance, and sufficiently competitive with the packages offered by competitors of similar size in our industry.

**Material Elements of Our Compensation Programs**

The Compensation Committee strives to provide our Named Executive Officers with a compensation package that balances short term and long term compensation. We believe that our current executive compensation program, consisting of a mix of base salary, retirement contributions, annual performance-based incentive awards paid in cash and both performance-based and annual service-based grants of equity and retirement contributions (i) provide a predictable and transparent structure for executive compensation, (ii) provide a significant percentage of a Named Executive Officer's compensation through variable performance-based vehicles, and (iii) attract, retain and motivate our Named Executive Officers.

In determining the compensation of our Named Executive Officers, the Compensation Committee uses the following specific compensation elements, which it believes support our compensation objectives outlined below.

**Table of Contents**

Compensation Element	Description	Compensation Objectives		
		Reward Performance	Attract and Retain	Align with Shareholders
<b>Base Salary</b>	Fixed level of compensation		Ö	
<b>Annual Variable Cash</b>	Performance-based cash incentives rewards Company and individual performance	Ö	Ö	Ö
<b>Incentive Awards Time-Vesting Restricted Stock or Restricted Stock Units</b>	Long-term equity award, with three-year vesting		Ö	Ö
<b>Performance- and Time-Vesting Restricted Stock</b>	Rewards Company performance; new awards with three-year vesting, in addition to performance criteria	Ö	Ö	Ö
<b>Stock Options</b>	Rewards Company performance above a threshold. For example, our CEO's sole annual equity award is in the form of stock options.	Ö	Ö	Ö
<b>Health, Welfare &amp; Retirement Plans</b>	401(k) Savings Plan Employee Stock Purchase Plan Deferred Compensation Plan		Ö Ö Ö	Ö
<b>Stock Ownership Guidelines, Anti-Hedging Policy, Anti-Pledging Policy and Claw-Back Policy</b>	Compensation risk mitigators			Ö

The Compensation Committee determines the amounts of each element and the aggregate compensation for our Named Executive Officers, without using any specific formula or attempt to satisfy any specific ratio for compensation among our Named Executive Officers; however, the differences in the aggregate compensation between our CEO and our other Named Executive Officers reflect the individual responsibilities with respect to their respective positions, experience in the applicable role, and experience in the wholesale distribution industry.

In determining compensation for our CEO, the Compensation Committee considers the amount of compensation he actually receives in cash. A large portion of our CEO's compensation is in the form of stock options, which are valued at the time of grant using the Black-Scholes model, despite that this form of compensation may never result in value for our CEO. As a result, there can be a significant difference between what is reported as our CEO's total compensation for a given year and what he actually receives.



## **Table of Contents**

The Compensation Committee regularly reviews benchmarking and market surveys in order to ensure that our compensation is competitive with that of our peers.

The Compensation Committee views the components of compensation as related, but distinct, and therefore regularly reevaluates the appropriate mix of elements, including the appropriate targets for incentive awards. The Compensation Committee also relies on the independent expertise compiled from the general knowledge, experience and good judgment of its members, both with regard to competitive compensation levels and the relative success that our Company has achieved. From time to time, the Compensation Committee may also retain a compensation consultant and relies on information provided by the Compensation Committee's compensation consultants. During fiscal 2014, our Compensation Committee used a compensation consultant, as discussed in last year's proxy statement, to design and evaluate all of the elements of our executive compensation for our Named Executive Officers' three-year employment agreements. Our executive compensation was approved by 96.8% of shareholders voting at last year's annual meeting. We have not made any material changes to the Named Executive Officers' employment agreements this fiscal year. During fiscal 2015, we did not use a compensation consultant to determine any director's or executive's compensation.

### **Base Salary**

Base salary generally provides a fixed base level of compensation for our executives for the services they render during the year. The purpose of base salary is to compensate our Named Executive Officers in light of their respective roles and responsibilities over time. Base salary is essential to allow us to compete in the employment marketplace for talent and is an important component of total compensation for the Named Executive Officers. It is vital to our goal of recruiting and retaining Named Executive Officers with proven abilities. A Named Executive Officer's base salary is set in accordance with the terms of his or her employment agreement and is reviewed each year during the term of such agreement. Increases, if any, to base salary are based generally upon a subjective assessment of overall individual performance, market trends and the Company's performance. In evaluating the Company's performance, the primary consideration is our financial performance for the relevant annual period, with a focus on return on invested capital ( ROIC ) and operating income, each of which aligns executive and shareholder interests and which we consider to have a strong correlation with shareholder value creation.

### **Annual Variable Performance-Based Cash Incentive Awards**

Annual variable performance-based cash incentive awards are designed to encourage the achievement of various pre-determined Company financial and operating performance goals. Non-GAAP operating income and ROIC are the primary measurements of performance for cash incentive awards because of our belief that each such measurement has a strong correlation with shareholder value. ROIC assists us in comparing our performance over various reporting periods on a consistent basis because it removes from our operating results the impact of items that do not reflect our core operating performance. We believe the calculation of ROIC provides useful information to our shareholders and is an additional relevant comparison of our performance during the year. The Compensation Committee has the discretion to make adjustments to

## **Table of Contents**

operating income and ROIC for extraordinary one-time events, or other items beyond management's control and to award additional cash incentives based on other criteria.

### **Annual Performance-Based and Service-Based Equity Award**

The Compensation Committee annually grants equity (restricted stock, restricted stock units or stock options) to our Named Executive Officers, since it believes this element of our compensation program provides our Named Executive Officers with the opportunity to develop a significant ownership stake in the Company and directly aligns their interests with the long-term interests of our shareholders. In addition, equity awards serve as a retention vehicle for the Named Executive Officers because, if performance criteria is met, they typically vest over three years and generally are forfeited if not vested upon termination of employment. The Committee has focused on the use of stock options for our CEO to strengthen both pay-for-performance and shareholder alignment.

In approving long-term equity incentives, the Compensation Committee focuses on the Company's overall performance, the value of the proposed award, the amount and value of awards granted in prior years, and the overall compensation package of the Named Executive Officer with the ultimate goal of aligning the interests of the executives with the Company's shareholders' interests and motivating and retaining critical leadership through the use of equity. The Compensation Committee also believes that linking the personal financial interests of our Named Executive Officers to the Company's long-term performance discourages excessive risk taking and supports sustainable shareholder value creation.

In addition to the performance-based equity awards, the Company has historically granted service-based annual equity awards at the December meeting of the Compensation Committee, equity awards are made by the Compensation Committee from time to time to incentivize and reward certain performance and to provide additional retention value. See "Long-Term Equity Incentives" beginning on page 37.

The Compensation Committee's policy is to set the exercise price of stock option awards by using the closing price of our stock on the date of the grant. The Compensation Committee determines the number of shares of a value-based restricted stock unit award by using an average of the closing price of the Company's stock for a 45-day period prior to the date of grant. Annual equity awards are approved at an in-person meeting of the Compensation Committee on the day of the Annual Shareholders' Meeting provided that the Company is in an open trading window. The Company has consistently followed this annual equity award process for all employees for almost ten years.

### **Process for Determining Named Executive Officer Compensation in Fiscal 2015**

#### *Role of the Compensation Committee*

The Compensation Committee is composed of all non-employee directors who meet the standard for independence under NASDAQ rules and are responsible for reviewing, approving, and monitoring compensation policies and programs that are consistent with the Company's business

## Table of Contents

strategy and aligned with shareholders' interests. Specifically, the Compensation Committee is responsible for:

reviewing and approving the corporate goals and objectives relevant to the compensation of the CEO and other Named Executive Officers;

negotiating the employment agreement of the CEO;

reviewing and approving the employment contracts of all other Named Executive Officers;

reviewing and approving annual incentive awards to Named Executive Officers; and

reviewing and approving equity-based compensation plans and grants of awards under such plans and the Board-approved policies or guidelines applicable to them.

The Compensation Committee meets several times a year to review and approve new and existing executive compensation programs and, if necessary, recommend approval to the Board of Directors.

### *Role of Management*

The Compensation Committee regularly meets with the CEO to receive reports and recommendations regarding the compensation of our Named Executive Officers other than the CEO. In particular, the CEO recommends to the Compensation Committee annual base salaries, annual incentive awards and long-term or performance equity grants for the Named Executive Officers other than himself. The Compensation Committee then evaluates each Named Executive Officer, sets performance criteria for annual cash incentive awards, and makes long-term equity grants, if any. At the beginning of each fiscal year, Management Incentive Plan ( MIP ) targets for certain financial measures, such as operating income and ROIC, are established with consideration for adjustments for one-time expenses or longer term investments that are planned. As part of its evaluation process, the Compensation Committee considers the Company's performance and consistency, the Named Executive Officer's individual performance over the prior year, changes in responsibilities, and future potential as well as data available from compensation surveys and compensation consultants. Although the Compensation Committee considers the CEO's recommendations, the final decisions regarding base salary, annual incentive awards and equity awards are made by the Compensation Committee.

### *Role of Compensation Consultant*

From time to time, the Compensation Committee has utilized an independent expert compensation professional. During fiscal 2013, a compensation consultant worked with the Compensation Committee to create a new cash incentive design and program for the Named Executive Officers. During fiscal 2014, a compensation consultant worked with the Compensation Committee in connection with evaluating Named Executive Officer compensation packages in preparation of new three-year employment agreements for each Named Executive



## **Table of Contents**

Officer that became effective on July 1, 2014. No compensation consultant was used by the Company during fiscal 2015 in the analysis of any director's or executive's compensation, as there were no changes being recommended or made to compensation.

### **Determining Named Executive Officer Compensation in Fiscal 2015**

#### *Summary*

Our executive compensation program emphasizes performance-based pay. The elements of compensation and the mix of compensation amongst the various elements remained unchanged in fiscal 2015. The Company's financial performance during fiscal 2015 is reflected in the compensation of each of our Named Executive Officers for fiscal 2015, particularly with respect to payouts pursuant to our annual cash incentive program. Our cash incentive opportunity is designed such that if our financial results, as measured by non-GAAP operating income and ROIC, reflect an increase in the financial performance of the Company, our executives should realize a greater impact on their cash incentive opportunity. Under the cash incentive opportunity for our Named Executive Officers for fiscal 2015, awards are based on non-GAAP operating income targets but may be adjusted upward or downward based on ROIC for the year. In addition, individual performance is also taken into account by the Compensation Committee and an additional amount may be paid if an executive exceeds expectations. The award may also be reduced or eliminated completely by the Compensation Committee if an executive does not meet performance expectations of the Compensation Committee. Awards are also capped at 200% of the executive's target bonus regardless of our financial performance.

For fiscal 2015, based on (i) our financial performance, (ii) the Compensation Committee's pre-established MIP operating targets for the cash incentive opportunity, and (iii) his performance, the cash incentives paid to our CEO was \$34,540 less than the amount he received for fiscal 2014. We believe this result is appropriately aligned with the Company's fiscal 2015 financial performance.

In addition, the total compensation of our CEO has generally increased or decreased during the fiscal years ending June 30, 2012, 2013, 2014 and 2015 as adjusted ROIC non-GAAP Operating Income has increased or decreased. We believe this correlation between the Company's performance and pay appropriately motivates and rewards our CEO and is beneficial to our shareholders.

In addition, we believe that it is important to link each of our Named Executive Officers' compensation and personal financial interests with long-term shareholder value creation. Accordingly, 34% of our CEO's total compensation for fiscal 2015, and 33.5% of the total compensation of all other Named Executive Officers, was in the form of long-term equity incentives. Our CEO has been awarded stock options to directly link the CEO's interest to that of shareholders.

Greater detail regarding the compensation of our Named Executive Officers can be found within the 2015 Summary Compensation Table located within this Proxy Statement.

## **Table of Contents**

### **Employment Agreements**

We have determined that our Company's and our shareholders' interests are best served by entering into three-year employment agreements with our Named Executive Officers. Such agreements are the result of arm's length negotiations between the Compensation Committee, the Company, the CEO and other Named Executive Officers and all such agreements are approved by the Compensation Committee. We believe that such three-year employment arrangements benefit us and our shareholders by permitting us to attract and retain Named Executive Officers with demonstrated leadership abilities and to secure the services of such Named Executive Officers over an extended period of time. In addition, three-year employment agreements align executive interests with the long-term interests of the Company and serve our recruitment and retention goals by providing executive officers with security based on the knowledge of how they will be compensated over the term of the agreement, while at the same time providing the Company with significant protections regarding non-competition, non-solicitation of business and employees, and confidential business information.

Each of our Named Executive Officers was a party to an employment agreement during fiscal 2015, which set forth the executive's base salary, annual cash incentive opportunity, and equity award opportunity.

### **Base Salary**

The initial base salary for each Named Executive Officer is established in the Named Executive Officer's employment agreement. Base salary was initially determined for each Named Executive officer based on the abilities, qualifications, accomplishments, and prior work experience of the Named Executive Officer, as well as the market compensation comparable for the position.

While base salary is generally fixed during the term of a Named Executive Officer's employment agreement, annual upward adjustments may be considered by the Compensation Committee on a discretionary basis. In deciding whether to make an increase to a Named Executive Officer's compensation, the Compensation Committee considers the consistency of the Named Executive Officer's individual performance over the prior year, changes in the Named Executive Officer's responsibilities, and the Named Executive Officer's future potential. The Compensation Committee considers data available from benchmarking studies obtained from a range of industry and general market sources, as well as information that may be provided by its compensation consultants, including comparisons of peer companies comprised of other participants in the industry and other similar companies based on size and other objective factors.

All Named Executive Officer employment agreements require an annual review of base salary by the Compensation Committee, which in its discretion may provide for a base salary increase. In evaluating our performance, the primary focus is upon financial performance for the relevant annual period, measured generally by non-GAAP operating income and ROIC. Base salaries for the Named Executive Officers for fiscal 2015 became effective on July 1, 2014 as follows:

**Table of Contents**

<b>Named Executive Officer</b>	<b>Base Salary</b>
Mr. Baur	\$ 850,000
Mr. Mathis	\$ 380,000
Mr. Ellsworth	\$ 350,000
Mr. Lyons	\$ 250,000

In determining the base salaries for the new three-year employment agreements entered into last year, the Compensation Committee considered the new management structure in effect for fiscal 2015 and the new and expanded roles and responsibilities of the Named Executive Officers. In addition, the Compensation Committee considered information from independent sources on market data for base salaries for like positions in peer companies.

See Process for Determining Named Executive Officer Compensation in fiscal 2015 beginning on page 30.

**Annual Performance-Based Cash Incentives**

The principal objective of our performance-based cash incentives is to motivate and reward our Named Executive Officers for performance in achieving our business objectives based upon annual attainment of both operating income and ROIC targets.

The Compensation Committee created a new cash incentive design for the Named Executive Officers beginning in fiscal 2013. Annual performance-based cash incentives were set based on an analysis of market data and assessing the experience of the respective individual and their respective role. The new structure was created to align the Company's annual cash incentive opportunity with the new Company management structure based on technology segments. The design provides that each Named Executive Officer's cash incentive opportunity will be expressed as a percentage of his or her base salary and earned based on operating income results as compared to pre-established threshold and stretch goals. Each Named Executive Officer has a variable factor by role or position applied as a percentage against their respective base salary. In addition, the cash incentive may be modified by ROIC results. The Compensation Committee, prior to each year of a performance period, will set a Management Incentive Plan target operating income ( MIP OI Target ) and ROIC target ( MIP ROIC Target ), that are both non-GAAP calculations, to provide for appropriate long term incentives to management. The Compensation Committee establishes MIP targets at the beginning of the fiscal year with certain adjustments to align management's performance on focused strategic objectives. Individual performance results are also factored into the cash incentive opportunity. For example, if an executive performs significantly below expectations, he or she will not earn a bonus regardless of our financial performance. If the Company meets both the MIP OI Target and MIP ROIC Target set and the executive exceeds expectations, he or she will be entitled to an additional cash bonus up to 20% of the bonus earned based on operating income as modified by ROIC. The maximum incentive award for any Named Executive Officer is 200% of his target bonus. The incentive award earned by all Named Executive Officers was 103.99% of all target bonuses.

For the fiscal year ended June 30, 2015, the cash incentives were paid to our Named Executive Officers in accordance with our annual cash incentive program. For fiscal 2015, the

**Table of Contents**

Compensation Committee established both a MIP OI Target of \$114.6 million and a MIP ROIC Target of 15.08%.

Under the cash incentive program, for the Named Executive Officers for fiscal 2015, awards may be modified by ROIC results as follows:

MIP ROIC	MIP Operating Income (% of Target/Budget)								
	Below 80%	80%	85%	90%	95%	100%	105%	110%	115%
<b>Below 10%</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>10% to 12.99%</b>	0%	40%	50%	60%	70%	80%	93%	107%	120%
<b>13% to 14.99%</b>	0%	45%	56%	68%	79%	90%	105%	120%	135%
<b>15% to 16.99%</b>	0%	50%	63%	75%	88%	100%	117%	133%	150%
<b>17% to 19.99%</b>	0%	55%	69%	83%	96%	110%	128%	147%	165%
<b>Over 20%</b>	0%	60%	75%	90%	105%	120%	140%	160%	180%

Operating income results between standards result in bonus calculation by straight-line interpolation. The Compensation Committee used the table above to set the Named Executive Officers' cash incentive awards for fiscal 2015.

Additionally, the cash incentive award may be modified as set forth below based on the results of MIP ROIC. The table below does not include a potential individual modifier:

MIP ROIC	MIP Award Modification
10% or less	No award
10% 12.99%	Award reduced by 20%
13% 14.99%	Award reduced by 10%
15% 16.99%	Award unchanged
17% 19.9%	Award increased by 10%
20% or more	Award increased by 20%

For fiscal 2015, MIP ROIC results did not modify the amount of the cash incentive awards for the Named Executive Officers.

The Compensation Committee also has the discretion to modify or eliminate an individual executive's cash incentive award based on the executive's job performance as follows:

Individual Performance	Award Modification
Significantly below expectations	No award
Below expectations	Award reduced by up to 20%
Meets expectations	Award unchanged
Exceeds expectations	Award increased by up to 20%

The Compensation Committee did not modify individual variable based incentive awards for fiscal 2015 for any Named Executive Officer.

The specific calculations, target and cash awards for each Named Executive Officer for fiscal 2015 are detailed below.





**Table of Contents**

<b>Michael L. Baur</b>	<b>Calculation</b>
Base Pay	\$ 850,000
Variable Factor	150%
Bonus Target	\$1,275,000
Bonus Maximum	\$2,550,000
% of Bonus Target	103.99%
Amount of Cash Incentive	\$1,325,810
<b>Charles A. Mathis</b>	<b>Calculation</b>
Base Pay	\$380,000
Variable Factor	70%
Bonus Target	\$266,000
Bonus Maximum	\$532,000
% of Bonus Target	103.99%
Amount of Cash Incentive	\$276,600
Additional Amount under MIP	-
Total Awarded	\$276,600
<b>John J. Ellsworth</b>	<b>Calculation</b>
Base Pay	\$350,000
Variable Factor	55%
Bonus Target	\$192,500
Bonus Maximum	\$385,000
% of Bonus Target	103.99%
Amount of Cash Incentive	\$200,171
Additional Amount under MIP	-
Total Awarded	\$200,171
<b>Gerald Lyons</b>	<b>Calculation</b>
Base Pay	\$250,000
Variable Factor	20%
Bonus Target	\$50,000
Bonus Maximum	\$100,000
% of Bonus Target	103.99%
Amount of Cash Incentive	\$51,993
Additional Amount under MIP	-
Total Awarded	\$51,993



## **Table of Contents**

### **One-Time Cash Incentive**

In 2014, the Compensation Committee reviewed the terms of the Company's litigation recovery in connection with its former ERP system implementation and concluded that it would consider a cash bonus to the CEO in an amount of \$300,000 upon the success of the first go-live of the Company's new ERP system. In February 2015, the Company successfully implemented its new ERP system in Europe and the Compensation Committee awarded Mr. Baur a bonus in the amount of \$300,000 on February 3, 2015.

### **Long-Term Equity Incentives**

#### *General Overview*

Equity awards are a significant component of our Named Executive Officer compensation. We grant equity awards, currently in the form of stock options, restricted stock awards and/or restricted stock units and performance-based restricted stock units or awards, to promote the success and enhance the value of the Company by providing participants with an incentive for outstanding performance. Equity awards are granted under our 2013 Plan, which is designed to align the interests of participants, including our Named Executive Officers, with those of the shareholders by linking a portion of their compensation directly to increases in shareholder value. Equity-based awards also provide the Company with the flexibility to motivate, attract and retain the services of employees upon whose judgment, interest and special effort the successful conduct of our operation is largely dependent. We believe that equity awards provide long-term incentives to our Named Executive Officers because they tie the Named Executive Officers' financial interests to those of our shareholders.

We maintain a formal Equity Award Grant Policy whereby equity awards to employees are made by, or with the oversight of, the Compensation Committee, and equity awards are made by, or with the oversight of, the Board. Under the policy, the Board and the Compensation Committee have delegated limited authority to our CEO to make awards to newly-hired or newly-promoted employees and for performance recognition awards to employees, in each case who are not officers or directors under Section 16(a) of the Exchange Act or covered employees under Code Section 162(m), subject to individual grant limits of either (but not both) options or stock appreciation rights (or similar awards) for up to 15,000 shares, or restricted awards or restricted stock units (or similar awards) for up to 5,000 shares. In addition, the CEO has authority to grant quarterly equity performance awards to employees. Any individual grant of a quarterly performance equity award pursuant to this delegation of authority to the CEO is limited to a maximum fair market value of \$25,000 to any one employee, subject to an aggregate maximum fair market value of \$100,000 to all employees receiving such awards in any quarter. The Compensation Committee must approve other equity awards to employees, including grants to officers under Section 16(a) of the Exchange Act and to covered employees under Code Section 162(m), and either the Board or the Compensation Committee must approve equity grants in connection with a merger, acquisition or similar transaction. Under the policy, our Worldwide Vice President of Human Resources and Principal Accounting Officer oversee the documentation of, and accounting for, equity award grants.

## **Table of Contents**

The Compensation Committee historically has granted annual service-based equity awards to employees based on merit, which vest over a three-year period in the majority of instances, provided that the grantee remains employed with the Company through each vesting date. The grant date for annual equity awards is typically the date following the annual shareholders meeting, provided that such grants must be made during an open window for stock transactions (under our insider trading compliance program). In the event that the scheduled annual grant date following the annual shareholders meeting does not occur during an open window with respect to the participant, the annual grant for such participant will occur at the next Compensation Committee meeting that occurs during an open window. The annual grant date for the Named Executive Officers is the same as for other employees, provided that the window is open with respect to the grantee.

In addition to the annual service-based equity awards discussed above, the Compensation Committee, from time to time, also grants to certain of our Named Executive Officers additional performance-based restricted stock awards and/or restricted stock units that contain both performance and service vesting conditions over a multi-year period. These combined performance- and service-based awards are discussed in greater detail below.

The Compensation Committee also may meet throughout the year as often as required, to make special grants of equity awards in the case of the hiring or promotion of persons who are Section 16 officers or Code Section 162(m) covered employees or other eligible persons, or in other situations not involving annual grants. The grant date for non-annual grants approved by the Compensation Committee is the date of the Compensation Committee meeting at which such grants are approved, provided that the meeting occurs during an open window, except in the case of newly hired or newly promoted officers or employees, in which case the grant date is the fifth trading day of the next month (or, if the window is closed on that date, the first succeeding trading day when the window is open). New hire or promotion grants made by the CEO also occur on the fifth trading date of the month following hire and CEO approval of the grant, provided that the window is open on such date (or, if the window is not open on such date, on the first succeeding trading day when the window is open). In any event, all equity awards must be made during an open window with respect to such person.

The number of shares subject to service-based stock options, restricted stock awards, or restricted stock units granted by the Compensation Committee to our executives in a given year is based on, among other things, overall Company performance, the number of shares available for awards under the 2013 Plan or successor plan, the value of the proposed award, the amount of options and/or shares of restricted stock or restricted stock units awarded in prior years, total compensation, and consideration of the competitive market practice by respective position level and experience, with the ultimate objective of motivating, rewarding and retaining Named Executive Officers while maintaining efficient use of equity and preserving shareholder value.

The exercise price of all stock options granted by the Compensation Committee, including grants by our CEO pursuant to delegated authority, cannot be less than 100% of the fair market value (as determined under the applicable stock plan) of the common stock on the date of the grant. Stock options generally are subject to a three-year vesting schedule and a ten-year term. Restricted stock awards and restricted stock units that are not performance-based generally are subject to a three-year vesting schedule. In addition, vesting of such awards accelerates on a

**Table of Contents**

change of control followed by termination in certain instances or upon death, disability or termination due to retirement. In certain circumstances, the option term may be reduced due to termination of employment, death or disability of a participant.

The Compensation Committee will continue to consider the use of stock options, restricted stock awards and restricted stock units for future grants to our Named Executive Officers.

*Service-Based Equity Awards*

Long-term equity incentives were awarded to our Named Executive Officers during fiscal 2015, as provided below. Each of the following equity awards generally vests and, if applicable, becomes exercisable in one-third increments on the anniversary of the grant date over three years, subject to the continued employment of the Named Executive Officer on the applicable vesting date.

<b>Named Executive Officer</b>	<b>Form of Equity Incentive Award</b>	<b>Amount of Shares Subject to Award</b>
Mr. Baur	Stock Option	164,093
Mr. Mathis	Restricted Stock Unit	5,623
Mr. Ellsworth	Restricted Stock Unit	4,920
Mr. Lyons	Restricted Stock Unit	3,430

The Compensation Committee has historically granted stock options to Mr. Baur rather than restricted stock awards or restricted stock units as his annual service-based awards. The Compensation Committee believes that the CEO's equity award should be solely aligned with shareholder return, given the nature of this position and the role of equity in the total compensation for the CEO compared to the role of equity for the other Named Executive Officers.

*Performance- and Service-Based Equity Awards*

To further strengthen the performance objectives of our long-term equity incentives, the Compensation Committee considers including performance- and service-based restricted stock awards and restricted stock units as a part of long-term incentives for Named Executive Officers.

In connection with the employment agreement for each of Messrs. Mathis, Ellsworth and Lyons effective July 1, 2014, the Compensation Committee granted each such executive three-year performance and service-based restricted stock units. The award for each grantee is split into three one-year performance periods, matching up with the Company's fiscal year. Vesting of the awards for each executive is subject to attainment of operating income goals, continued service and other terms and conditions established by the Compensation Committee (including discretion of the Compensation Committee as to the extent, if any, to which the award is earned). Mr. Mathis' grant is valued at \$300,000 (\$100,000 per year). Mr. Ellsworth's grant is valued at \$150,000 (\$50,000 per year). Mr. Lyons' grant is valued at \$75,000 (\$25,000 per year). No stock units will vest, if at all, until June 30, 2017 and, in addition to the requirement that the performance goals be met, the grantee must have been employed by the Company from the grant date until that date in order to receive the shares underlying the awards.

## **Table of Contents**

In June 2014, in recognition of the significant legal recovery of \$15.5 million achieved by the Company, the Compensation Committee awarded a special one-time cash bonus to Mr. Ellsworth of \$100,000, and an equity award of \$75,000 for extraordinary performance. Because Mr. Ellsworth's equity award was approved during a closed trading window, in keeping with the Company's Equity Award Grant Policy, the grant did not become effective until the next open trading window date, in August 2014.

## **Perquisites**

The only perquisite offered to our Named Executive Officers is the availability of a voluntary comprehensive physical examination once every fiscal year. This perquisite does not reward any particular performance, but meets a certain business objective, which is why we choose to provide it. The physical examination helps ensure our Named Executive Officers' continued health and ability to render services to the Company through an annual physical program. The physicals are provided to encourage senior leaders of the Company to set the example for living positively and active healthy living. The Company does not provide any other perquisites to its Named Executive Officers.

## **Health and Insurance Plans**

Our Named Executive Officers are entitled to participate in our health, vision, dental, paid time off, life, disability and employee stock purchase plans to the same degree that our other employees are entitled to participate. In addition, our Named Executive Officers participate in a supplemental long-term disability plan and each receives term life insurance in the amounts of \$1,000,000 (subject to underwriting) and \$500,000 (subject to limited underwriting).

## **Deferred Compensation Plan**

We maintain a deferred compensation plan pursuant to which Named Executive Officers may defer a portion of their annual compensation. Participants' funds are invested among various funds designated by the plan administrator (and currently may not be invested in our common stock). Matching contributions are identified in each Named Executive Officer's employment agreement and such contributions vest over a five-year period. Participants become fully vested in any matching contributions upon a change in control of the Company and upon their death, disability, or after attaining a combined total of 65 from the combination of years of service and age. We maintain a deferred compensation plan to provide a competitive benefit and to facilitate adequate savings for retirement on a tax efficient basis for our Named Executive Officers.

## **Retirement Benefits**

The Named Executive Officers are eligible to participate in our 401(k) Plan, which is a Company-wide, tax-qualified retirement plan. The intent of this plan is to provide all employees with a tax-advantaged savings opportunity for retirement. We sponsor this plan to help employees at all levels save and accumulate assets for use during their retirement. As required, eligible pay under this plan is capped at Internal Revenue Code annual limits. The Company provides a match up to a total of \$800 per year per employee.

## **Table of Contents**

Participants in our 401(k) plan are also eligible for any annual discretionary profit sharing contributions authorized by the Compensation Committee. These contributions vest over a five-year period. For fiscal 2015, the Compensation Committee authorized discretionary profit sharing contributions to the 401(k) plan for all of our employees, including our Named Executive Officers. The amount allocated is calculated as a percentage of eligible cash compensation up to \$255,000. The amount allocated to each Named Executive Officer for fiscal 2015 was the same percentage as for all of our employees, but the amount allocated was capped at \$21,450. See Summary Compensation Table All Other Compensation on page 47 for the amounts received by our Named Executive Officers.

## **Employee Stock Purchase Plan**

All eligible employees may participate in our Employee Stock Purchase Plan ( ESPP ), which is a Company-wide employee stock purchase plan. The intent of the ESPP is to assist our employees in acquiring a stock ownership interest in the Company.

## **Process for Determining Named Executive Officer Compensation in Fiscal 2016**

The Compensation Committee met in September of 2015 to determine the Named Executive Officers' base salaries for fiscal 2016. The Compensation Committee did not award any base salary increases for Messrs. Baur, Ellsworth, or Mathis; however, Mr. Lyons' base salary was increased from \$250,000 to \$275,000.

## **Other Important Compensation Policies Affecting the Named Executive Officers**

### **Claw-Back Policy**

If a Named Executive Officer receives an award under the Company equity or cash incentive plans based on financial statements that are subsequently restated in a way that would decrease the amount of the award to which such Named Executive Officer was entitled and the restatement is based in whole or in part on the misconduct of the Named Executive Officer, then the Named Executive Officer will refund to the Company the difference between what they received and what they should have received. In addition, this policy will require the recoupment of any compensation as mandated by all applicable laws, rules, and regulations.

### **Stock Ownership Requirements**

The Compensation Committee has adopted minimum ownership requirements for Company stock for the CEO, as well as for the other members of the Board of Directors. The ownership target for the CEO has been established as three times his annual base compensation. The other members of our Board of Directors have an ownership target of five times their annual board cash retainer in Company securities. Both our CEO and all other members of our Board of Directors are compliant with their respective stock ownership requirements. Our CEO is expected to utilize grants under equity compensation plans to maintain the levels of ownership required by the policy. The policy also incorporates an equity retention requirement by requiring him to retain 50% of the net shares resulting from the vesting or exercise of certain awards to obtain the required ownership under the policy.





## **Table of Contents**

### **Anti-Hedging and Anti-Pledging Policy**

Our Named Executive Officers and Directors are prohibited from holding Company securities in margin accounts or pledging Company securities as collateral for a loan and are prohibited from certain hedging transactions.

### **Post-Termination Restrictions and Compensation**

The Compensation Committee believes that the Company's Named Executive Officers should be provided with reasonable severance benefits in the event a Named Executive Officer is terminated under certain circumstances. Severance benefits for Named Executive Officers reflect the fact that the Named Executive Officer may not be able to find reasonably comparable employment within a reasonable period of time following a termination. In addition, the Compensation Committee believes that certain post-termination benefits such as change of control payments will allow the Named Executive Officers to focus their time on potential transactions that may be beneficial to the Company, rather than have concern for their own employment prospects following a change of control.

#### *Non-Compete and Non-Solicitation Agreements*

Our Named Executive Officers are obligated pursuant to their employment agreements not to compete with the Company for a period of twenty-four months following their termination of employment with the Company. The agreements also restrict the Named Executive Officer's disclosure and use of confidential information to which they were exposed during their employment. In addition, the agreements provide for restrictions on the solicitation of vendors, customers and employees of the Company for a period of twenty-four months following termination of employment.

#### *Severance and Change of Control Benefits*

In the event of a termination of employment by the Company other than for cause, death, disability, retirement, the expiration of the employment agreement or by a Named Executive Officer for good reason, the Named Executive Officer will be entitled to a severance payment, provided that the Named Executive Officer is in, and remains in, compliance with the non-competition, confidentiality, non-solicitation and related covenants provided in his employment agreement. The amount of a severance payment varies based upon the Named Executive Officer's historic compensation amounts and their length of service to the Company, up to three times the Chief Executive Officer's and two and a half times the other Named Executive Officer's average annual base salary and variable compensation over the last three fiscal years prior to a termination. These potential payments are discussed in more detail under the caption "Employment Agreements and Potential Payments Upon Certain Events" below.

Our Named Executive Officers' employment agreements provide for severance in the event of certain termination in connection with a change of control. Such severance payments will only be made if there is a "double trigger." That is, both a change in control and a termination of employment. This is discussed in more detail under the caption "Employment Agreements and Potential Payments Upon Certain Events" below. The Compensation Committee believes this benefit is required to offer competitive benefits to attract and retain highly qualified executives.

**Table of Contents**

**Additional Compensation Matters**

**Consideration of Results of Shareholder Advisory Votes in Executive Compensation**

The Compensation Committee monitors the results of the Say-on-Pay vote and considers those results along with the objectives listed above in determining compensation policies. A substantial majority (over 96.8%) of our shareholders voting at the meeting approved the compensation program described in our 2014 proxy statement. The Compensation Committee interpreted this vote result as a strong indication of support for our current compensation program. In light of this support, and its own independent review of our executive compensation program, the Compensation Committee did not implement any significant changes to the executive compensation program disclosed in our 2014 proxy statement.

**Risk Assessment of Compensation Policies and Practices**

We have assessed our compensation programs for all employees and have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. We believe that our compensation program reflects an appropriate mix of compensation elements and balances current and long-term performance objectives, cash and equity compensation, and risks and rewards. During fiscal 2015, the Compensation Committee reviewed our compensation policies and practices for all employees, including our Named Executive Officers, particularly as they relate to risk management practices and risk-taking incentives. As part of its review, the Compensation Committee discussed with management the ways in which risk is effectively managed or mitigated as it relates to our compensation programs and policies.

Based on this review, the Compensation Committee believes that our compensation programs do not encourage excessive risk but instead encourage behaviors that support sustainable value creation. The following features of our executive incentive compensation program illustrate this point.

Our compensation program design provides a balanced mix of cash and equity and annual and long-term incentives that are designed to encourage strategies and actions that are in the Company's and our shareholders' long-term best interests. Equity awards such as service and performance-based restricted stock awards and restricted stock units reinforce our long-term performance perspective.

Our performance goals and objectives generally reflect a mix of corporate and other performance measures designed to promote progress towards both our annual and longer-term goals.

A significant component of each of our Named Executive Officers' total direct compensation consists of long-term, equity-based incentive awards that are designed to encourage these Named Executive Officers to focus on sustained stock price appreciation.

**Table of Contents**

Equity awards typically have vesting schedules of three years and, in some cases, have performance-based vesting components as well; thus, Named Executive Officers typically will always have unvested awards that could decrease significantly in value if our business is not well-managed for the long term.

Equity incentive awards are granted periodically, typically annually, during open window periods and under an established equity grant program.

The Compensation Committee believes that our overall compensation of our Named Executive Officers is at reasonable and sustainable levels, as determined by a review of historical analysis and a review of our economic positions and prospects, as well as the compensation offered by comparable companies.

The Compensation Committee retains discretion to reduce compensation based on corporate and individual performance and other factors.

Equity awards are subject to annual limitations on the number of shares that may be awarded during any year. The typical Company compensation structure has a threshold and maximum for cash bonuses.

The target levels under our annual cash bonus program are designed to be set at a level where achieving the target incentive compensation levels is not guaranteed and the achievement of such levels is rewarding to both the Named Executive Officer and the shareholders.

Named Executive Officer base salaries are consistent with the Named Executive Officers' responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security.

Our implementation of an internal reporting system ensures a more consistent and ongoing assessment of financial results used to determine payouts.

Our stock ownership policy requires our CEO to hold a minimum level of Company shares so that he has personal wealth tied to the long-term success of Company and is therefore aligned with shareholders, and imposes an equity retention requirement to facilitate attaining such levels of ownership.

We maintain a claw-back policy, which requires the reimbursement of any incentive compensation to executive and certain other officers, the payment of which was predicated upon the achievement of financial results that were subsequently the subject of a restatement caused by the recipient's fraud or misconduct, or is otherwise required under applicable laws, rules, and regulations.

Officers must obtain permission from the Office of the General Counsel before the purchase or sale of any shares, even during an open trading period.



**Table of Contents**

Based on a combination of the above, we believe that (i) our Named Executive Officers and other employees are encouraged to manage the Company in a prudent manner because our compensation programs are aligned with our business strategy and risk profile, and (ii) our incentive programs are not designed to encourage our Named Executive Officers or other employees to take excessive risks or risks that are inconsistent with our best interests. In addition, we have in place various controls and management processes that help mitigate the potential for incentive compensation plans to have a material adverse effect on the Company.

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based upon such review, the related discussions and such other matters deemed relevant and appropriate to the Compensation Committee, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the year ended June 30, 2015 and in this Proxy Statement.

Submitted by the Compensation Committee:

Michael J. Grainger, Chairperson

Peter C. Browning

Steven R. Fischer

John P. Reilly

Charles R. Whitchurch

*The Compensation Committee report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates the Compensation Committee report by reference therein.*

**Table of Contents****Compensation Tables****2015 Summary Compensation Table**

The following table summarizes compensation paid to or accrued on behalf of the Named Executive Officers for the year ended June 30, 2015:

Principal	Year	Salary (\$)	Bonus (\$)	Non-Equity				
				Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Incentive Plan Compensation (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	
<b>Baur</b>	2015	850,000	300,000 <sup>(4)</sup>		1,720,909	1,325,810	883,454	5,000,000
Executive Officer	2014	800,000			1,382,103	1,360,350	232,718	3,000,000
	2013	800,000			1,334,784	496,395	232,955	2,000,000
<b>Mathis</b>	2015	380,000		335,665		276,600	68,075	1,000,000
Executive President and Chief Financial Officer	2014	325,000		229,858		200,464	116,953	
	2013	175,000			111,503	40,264	39,692	
<b>Worth</b>	2015	350,000		332,448		200,171	83,450	
Executive President, General Counsel and Corporate Secretary	2014	274,385	100,000 <sup>(5)</sup>	172,393		152,661	49,676	
	2013	243,000	20,000 <sup>(6)</sup>		76,236	100,000	90,677	
<b>As</b>	2015	250,000		184,969		51,993	34,781	

President of	2014	250,000	15,000 <sup>(7)</sup>	140,236	61,681	29,362
Principal Officer						

- (1) Amounts shown are the aggregate grant date fair value of awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see Note 10 to our audited financial statements for the fiscal year ended June 30, 2015, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, see Form 10-K on page 68. For Mr. Baur, the exercise price for 66,761 options granted in fiscal 2013 was above the fair market value of the common stock on the date of grant.
- (2) Reflects the value of cash incentives earned pursuant to our annual incentive bonus program. For information regarding our annual incentive bonus program, see the discussion in Executive Compensation Compensation Discussion and Analysis in this Proxy Statement.
- (3) See the All Other Compensation table below for additional information.
- (4) Consists of a bonus for the successful ERP implementation.
- (5) Consists of a bonus payable as the result of performance related to a Company legal recovery.
- (6) Consists of a bonus payable in fiscal 2014 in connection with human resources and compensation matters beyond his normal responsibilities.
- (7) Consists of a bonus adjustment in connection with a legal recovery.



**Table of Contents****2015 All Other Compensation Table**

The following supplemental table summarizes all other compensation paid to our Named Executive Officers for the year ended June 30, 2015, which is included in the All Other Compensation column in the 2015 Summary Compensation Table above:

Name	Fiscal Year	Perquisites (\$)	Company	Company			Company Paid			Total (\$)
			Contributions to Nonqualified Deferred Compensation Plan (\$)	Contributions to Company Paid Disability Benefit (\$) <sup>(1)</sup>	Contributions to Deferred Contribution Plans (401(k) and Profit Sharing) (\$)	Company Paid Award and	Company Paid	Service Recognition	Other	
						Company Profit Sharing (Cash Payment) (\$)	Travel for Spouses (\$)	Directors Club Trip (\$)		
Michael Maur	2015		800,000 <sup>(2)</sup>	51,248	14,450	7,800	5,358		4,598 <sup>(3)</sup>	883,454
	2014		200,000	3,444	23,904		5,370			232,718
	2013		200,000	3,444	24,660		4,851			232,955
Les Mathis	2015	4,986 <sup>(4)</sup>	26,064	11,660	14,450	7,800			3,115 <sup>(3)</sup>	68,075
	2014		7,313	936	23,904				84,800 <sup>(5)</sup>	116,953
	2013				16,905				22,787 <sup>(5)</sup>	39,692
J. Worth	2015		50,000	7,012	14,450	7,800			4,188 <sup>(3)</sup>	83,450
	2014		25,000	772	23,904					49,676

	2013	49,999	534	24,660		6,092	9,392		90,677
ld	2015	9,006	917	14,450	7,800			2,608 <sup>(3)</sup>	34,781
as	2014	4,726	732	23,904					29,362

(1) Includes supplemental long-term disability benefits for year 2015.

(2) The deferred compensation benefit is designed to recognize Mr. Baur's contributions as one of the co-founders and senior executives of the Company, having been with the Company as either CEO or President for over twenty-two years during which time the Company has never had a pension plan for its executives but had entered into a Senior Executive Retirement Plan for the Company's other co-founder.

(3) Represents life insurance benefits.

(4) Represents physical examination costs for Mr. Mathis.

(5) Represents relocation expenses for Mr. Mathis.

**Table of Contents****2015 Grants of Plan Based Awards Table**

The following table summarizes awards granted to each of the Named Executive Officers during the year ended June 30, 2015 under the 2013 Plan:

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum	Number of Shares of Stock or Units	Number of Securities Underlying Options		
		(#)	(#)	(#)	(#)	(#) <sup>(1)</sup>	(\$/Sh)	(\$)
Michael L. Baur	12/5/2014					164,093	41.13	1,720,909 <sup>(3)</sup>
Charles A. Mathis	6/25/2014 <sup>(2)</sup>	1,338	2,676	5,352				104,391
	12/5/2014				5,623			231,274 <sup>(3)</sup>
John J. Ellsworth	6/25/2014 <sup>(2)</sup>	669	1,337	2,675				52,195
	8/26/2014 <sup>(4)</sup>				2,006			77,893
	12/5/2014				4,920			202,360 <sup>(3)</sup>
Gerald Lyons	6/25/2014 <sup>(2)</sup>	334	669	1,337				26,137
	12/5/2014				3,430			141,076
	2/3/2015				505			17,756

(1) See Executive Compensation Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Incentives Performance- and Service-Based Equity Awards, above.

(2) The performance- and service-based equity awards granted on June 25, 2014 were computed in accordance with FASB ASC Topic 718, excluding performance- and service-based awards for which the performance criteria were not established prior to September 25, 2015. See Executive Compensation Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Incentives Performance- and Service-Based Equity Awards, above.

(3) The grant date fair value of the option award granted on December 5, 2014 was determined pursuant to the Black-Scholes options valuation model, using the following assumptions: exercise price of \$41.13, stock price volatility of 30.03%, risk-free interest rate of 1.22%, expected term of four years, and dividend yield

of 0%. As a result of the Black-Scholes calculation, the grant date fair value of the award was \$10.4874. The grant date fair values of the stock awards and units are based on the closing prices of our common stock on NASDAQ on December 5, 2014.

- (4) In June 2014, in recognition of the significant legal recovery of \$15.5 million achieved by the Company, the Compensation Committee awarded a special one-time cash bonus to Mr. Ellsworth of \$100,000, and an equity award of \$75,000 for extraordinary performance. Because Mr. Ellsworth's equity award was granted during a closed trading window, in keeping with the Company's Equity Award Grant Policy, the grant did not become effective until the next open trading window date, in August 2014. As such, Mr. Ellsworth's equity award is listed on the compensation tables for this fiscal year, instead of last year's tables.

**Table of Contents****2015 Outstanding Equity Awards at Fiscal Year End Table**

The following table summarizes outstanding equity awards held by each of the Named Executive Officers as of June 30, 2015:

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock that Have Not Vested (#) (1)	Market Value of Shares or Units of Stock that Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of unearned Shares, Units or Rights that Have Not Vested (\$)
<b>Michael L. Baur</b>	76,336		27.48	1/5/2016					
	100,000		32.13	6/20/2017					
	100,000		36.69	12/7/2017					
	5,000		24.57	12/4/2019					
	133,000		36.17	5/4/2021					
	67,000		34.35	12/2/2021					
	66,761		34.35	8/21/2022					
	35,849	17,657	29.80	12/7/2022					
	39,221	76,135	42.82	12/6/2023					
		164,093	41.13	12/5/2024					
<b>Charles A. Mathis</b>	6,700	3,300	29.03	1/29/2023	12/6/2013	3,543	134,847		
					6/25/2014			8,233(2)	313,348
					12/5/2014	5,623	214,011		

<b>John J. Ellsworth</b>	4,000		32.13	6/20/2017					
	4,000		36.69	12/7/2017					
		2,185	29.80	12/7/2022					
					12/6/2013	2,658	101,163		
					6/25/2014			4,117 <sup>(2)</sup>	156,693
				12/5/2014	4,920	187,255			
<b>Gerald Lyons</b>	4,000		36.69	12/7/2017					
	4,024	1,982	29.80	12/7/2022					
					8/21/2012	660	25,120		
					12/6/2013	2,162	82,286		
					6/25/2014			2,058 <sup>(2)</sup>	78,327
					12/5/2014	3,430	130,546		
				2/3/2015	505	19,220			

(1) Stock options and restricted stock units generally vest over three years.

(2) Represents performance- and service-based equity awards. Vesting of such awards is subject to the attainment of certain achievement measures and continued service. The total number of unvested shares was determined based on shares earned based on fiscal 2015 performance plus the target shares for tranches two and three of the performance-based restricted stock unit awards granted by the Compensation Committee on June 25, 2014.

**Table of Contents****2015 Option Exercises and Stock Vested Table**

The following table summarizes the exercise of options and the vesting of stock awards by each of our Named Executive Officers during the fiscal year ended June 30, 2015:

Name	Option Awards		Restricted Awards	
	Number of		Number of	
	Shares	Value	Shares	Value
	Acquired on	Realized	Acquired on	Realized
	Exercise	on Exercise	Vesting	on Vesting
	(#)	(\$)	(#)	(\$)
Michael L. Baur	3,664	48,648		
Charles A. Mathis			1,825	76,322
John J. Ellsworth	7,775	83,159	5,611	222,179
Gerald Lyons			2,419	97,574

**2015 Nonqualified Deferred Compensation Table**

The following table contains information concerning benefits earned by each of the Named Executive Officers under nonqualified deferred compensation plans during the year ended June 30, 2015:

Name	Aggregate				
	Executive	Registrant	Earnings	Aggregate	Aggregate
	Contributions	Contributions	(Loss)	Aggregate	Balance at
	in Last	in Last	in Last	Withdrawals/	Last Fiscal
	Fiscal Year	Fiscal Year	Fiscal Year	Distributions	Year-End
	(\$) <sup>(1)</sup>	(\$)	(\$)	(\$)	(\$)
Michael L. Baur	400,000	800,000 <sup>(2)</sup>	391,873	-	7,789,122
Charles A. Mathis	86,879	26,064 <sup>(3)</sup>	4,567	-	150,859
John J. Ellsworth	85,000	50,000 <sup>(3)</sup>	45,501	-	787,304
Gerald Lyons	30,018	9,006 <sup>(3)</sup>	16,689	-	151,258

- (1) Amounts represent voluntary deferrals of salary, bonus or a combination of both salary and bonus under our Nonqualified Deferred Compensation Plan. Contributions of deferred salary are reported as fiscal year 2015 income in the Salary column of the 2015 Summary Compensation Table.
- (2) Amount represents a \$200,000 matching contribution under our Nonqualified Deferred Compensation Plan and a \$600,000 deferred compensation benefit under Mr. Baur's employment agreement, which was paid on September 24, 2015. The deferred compensation benefit is designed to recognize Mr. Baur's contributions as one of the co-founders and senior executives of the Company, having been with the Company as either CEO or President for over twenty-two years during which time the Company has never had a pension plan for its executives but had entered into a Senior Executive Retirement Plan for the Company's other co-founder.
- (3) Amounts represent our matching contributions under our Nonqualified Deferred Compensation Plan. These amounts are reported as fiscal year 2015 income in the All Other Compensation column of the 2015 Summary Compensation Table.

Our Nonqualified Deferred Compensation Plan permits our Named Executive Officers to elect to defer a portion of their base salary and incentive bonus, and to receive matching contributions from the Company on a portion of the deferred amounts. Mr. Baur may defer up to 50% of his base compensation and 100% of his bonus, and we will provide a matching contribution of 50% of the amount deferred up to a calendar year limit of \$200,000 in matching contributions.



## **Table of Contents**

Mr. Ellsworth may defer up to 50% of his base salary and 100% of his bonus, and we will provide a matching contribution of 60% on the first 25% of compensation deferred up to a calendar year maximum of \$75,000. Mr. Mathis and Mr. Lyons may each defer up to 50% of their respective base salary and 100% of their respective bonus, and we will provide a matching contribution of 30% on the first 15% of compensation deferred.

Deferred amounts are credited to each participant's account, which is indexed to one or more investment alternatives chosen by each participant from a range of mutual fund offerings and other investments available under the plan. Each participant's account is adjusted to reflect the investment performance of the selected investments. Benefits under the plan are payable in cash and generally will be paid in either a lump sum or in annual installments over a certain term upon retirement, death or other termination of employment, or upon a change in control of the Company, as elected in advance by the participant. A participant may also elect to receive some or all of the deferred amounts and related earnings pursuant to an in-service distribution, subject to a minimum five-year deferral.

## **Employment Agreements and Potential Payments upon Certain Events**

We have entered into employment agreements with each of our Named Executive Officers. Notwithstanding these employment agreements, each executive has the right to voluntarily terminate his employment at any time. The employment agreements set forth the general terms and conditions of each Named Executive Officer's employment and provide for certain severance benefits upon the occurrence of certain events.

The employment agreements with the Named Executive Officers provide that if the executive officer's employment is terminated by us other than for cause, death, disability or retirement or by the executive for good reason (as defined in the employment agreements), the executive officer will receive a severance payment in bi-weekly payments over the twenty-four months after separation. In the case of Messrs. Mathis, Ellsworth and Lyons the Company will be required to provide severance benefits to the executive officer in an amount equal to one times the executive's average annual base salary plus variable compensation earned from the Company (including any such amounts earned but deferred) in the last three fiscal years before the date of termination, less normal withholdings. In addition Messrs. Mathis, Ellsworth and Lyons will receive an amount equal to one-twelfth of the executive's respective average compensation amount multiplied by the number of full years, beyond ten years, that he was consecutively employed by the Company prior to termination, less normal withholdings. The amount of severance benefits awarded to Messrs. Mathis, Ellsworth, or Lyons may not exceed two times the executive's respective average compensation amount, less normal withholdings. These payments will be made in bi-weekly installments over the 24-month period after termination. Notwithstanding the foregoing, if Messrs. Mathis, Ellsworth, or Lyons employment termination occurs within 12 months after or otherwise in contemplation of a change in control, the severance benefits to the executive will consist of a pro-rata annual bonus and a single year of compensation in an amount equal to the average combined annual base salary and variable compensation earned by the executive officer (including any amounts earned but deferred) during the three fiscal years prior to his termination, multiplied by two and a half (2.5), less normal withholdings. For up to twenty-four months following the date of termination, Messrs. Mathis, Ellsworth, or Lyons may participate in the Company's medical and dental plans,

**Table of Contents**

provided that each of Messrs. Mathis, Ellsworth, or Lyons will be charged for the premiums applicable to himself and his dependents, if applicable.

In the case of Mr. Baur, in the event of termination of employment as described above, the Company will be required to provide severance benefits in an amount equal to one times his average annual base salary plus variable compensation earned from the Company (including any such amounts earned but deferred) in the last three fiscal years before the date of termination, less normal withholdings. In addition, Mr. Baur will receive an amount equal to one-twelfth of his average compensation amount multiplied by the number of full years, beyond ten years, that he was consecutively employed by the Company prior to termination, less normal withholdings; provided, however, that these severance benefits may not exceed an amount equal to three times the average compensation amount, less normal withholdings. Notwithstanding the foregoing, if Mr. Baur's termination occurs within 12 months after or otherwise in contemplation of a change of control for reasons other than cause, death, disability or retirement, or if Mr. Baur terminates his employment for good reason during such period, Mr. Baur will receive severance benefits in an amount equal to three times the average annual salary and bonus earned by Mr. Baur from the Company, including any such amounts earned but deferred, in the last three fiscal years prior to the date of termination. These payments will be made in bi-weekly installments pursuant to the Company's normal payroll cycle during the term of the 24-month period. Mr. Baur will also receive a pro rata portion of fiscal year's variable compensation, if any, based on the number of days elapsed in the then-current fiscal year through the date of termination. Mr. Baur's employment agreement includes a deferred compensation benefit of \$600,000 for each of 2015, 2016, and 2017, which is designed to recognize Mr. Baur's contributions as one of the co-founders and senior executives of the Company, having been with the Company as either CEO or President for over twenty-two years during which time the Company has never had a pension plan for its executives but had entered into a Senior Executive Retirement Plan for the Company's other co-founder. The deferred compensation payments will be made unless Mr. Baur violates one of the restrictive covenants found in his employment agreement or is terminated for cause. In the case of Mr. Baur's death or disability during the term of the employment agreement, the Company will make any remaining payments to him or his beneficiaries, as the case may be.

From the date of termination until Mr. Baur reaches age 65, he will be entitled to participate in the Company's medical and dental plans, provided that he pays the entire premium charged for his and his dependents' coverage. For years after age 65, funding for Mr. Baur's post-termination medical benefit shall be determined assuming he is enrolled in Medicare Parts A, B, and D, obtains a Medicare supplemental (MediGap) policy until age 80 and pays the full cost for such coverage.

As described in their employment agreements, all Named Executive Officers are entitled to participate in a comprehensive physical program, which includes an annual examination at no cost to the Named Executive Officer. Additionally, the Named Executive Officers receive term life insurance policies in the amounts of \$1,000,000 (subject to underwriting) and \$500,000 (subject to limited underwriting). Each of the Named Executive Officers receives short-term and long-term disability benefits.

**Table of Contents**

The material elements of compensation of each Named Executive Officer as contained in their employment agreement are included in the Executive Compensation Compensation Discussion and Analysis herein. The following sets forth in tabular format the incremental compensation that would be payable to such Named Executive Officer in the event of his termination of employment under various scenarios, which we refer to as termination events. In accordance with SEC rules, the following discussion assumes:

That the termination event in question occurred on June 30, 2015, the last day of fiscal 2015; and

With respect to calculations based on our stock price, the reported closing price of our common stock on June 30, 2015, \$38.06, was used.

The tables contained in this section do not include payments made to a Named Executive Officer with respect to contracts, agreements, plans or arrangements to the extent they do not discriminate in scope, terms or operation, in favor of our executive officers and that are available generally to all salaried employees, such as our 401(k) plan. The actual amounts that would be paid upon a termination event can only be determined at the time of such executive officer's termination. Due to the number of factors that affect the nature and amount of any compensation or benefits provided upon the termination events, any actual amounts paid or distributed may be higher or lower than reported below. Factors that could affect these amounts include the timing during the year of any such event and our stock price at such time.

**Michael Baur**

*General*

Pursuant to the terms of Mr. Baur's employment agreement he received a base salary of \$850,000 in fiscal 2015. Under his agreement, Mr. Baur is eligible to receive annual incentive cash and equity awards under the 2013 Plan as described in the Executive Compensation Compensation Discussion and Analysis herein. Subject to the provisions of his employment agreement, Mr. Baur is obligated to comply with certain provisions relating to non-competition (for two years post termination), confidentiality and non-solicitation of customers and employees (for two years post termination) if his employment is terminated.

*Benefits upon the Occurrence of Certain Termination Events*

In addition to the amounts listed below, Mr. Baur is entitled to all accrued compensation, unreimbursed expenses and other benefits through the date of termination in the event of his termination.

**Table of Contents**

	<b>Before</b>		<b>After</b>			
	<b>Change in</b>		<b>Change in</b>		<b>Termination</b>	<b>Termination</b>
	<b>Control</b>		<b>Control</b>		<b>Due to</b>	<b>Due to</b>
	<b>Termination</b>		<b>Termination</b>		<b>Retirement</b>	<b>Disability</b>
	<b>w/o Cause or</b>		<b>w/o Cause or</b>	<b>Termination</b>		<b>Voluntary</b>
	<b>for Good</b>		<b>for Good</b>	<b>Due to</b>		<b>Termination</b>
	<b>Reason</b>		<b>Reason</b>	<b>Death</b>		
	(\$)		(\$)	(\$)	(\$)	(\$)
	(\$)		(\$)	(\$)	(\$)	(\$)
Severance	3,755,037		5,632,555	-	-	-
Pro Rata Variable Compensation <sup>(1)</sup>	1,325,810		1,325,810	1,325,810	1,325,810	1,325,810
Equity Acceleration <sup>(2)</sup>	-		145,847	145,847	145,847	-
Medical Coverage <sup>(3)</sup>	410,000		410,000	410,000	410,000	-
Deferred Compensation <sup>(4)</sup>	-		-	1,200,000	-	-
Disability <sup>(5)</sup>	-		-	-	-	425,000
<b>TOTAL</b>	<b>5,490,847</b>		<b>7,514,212</b>	<b>3,081,657</b>	<b>1,881,657</b>	<b>3,506,657</b>
						<b>1,325,810</b>

(1) Employment agreements with each Named Executive Officer provide for the payment of a pro rata portion of the current fiscal year annual variable compensation that would otherwise be payable if the Named Executive Officer had continued employment through the end of the current fiscal year, based on actual performance. Amounts shown reflect the earned and unpaid portion of each Named Executive Officer's fiscal 2015 annual variable compensation as of June 30, 2015.

(2) Reflects (i) the difference between fair market value as of June 30, 2015 of the underlying shares over the exercise price of all unvested stock options, and (ii) the fair market value of all unearned and unvested non-performance-based restricted stock awards and restricted stock units. Vesting accelerates in the event of a change in control and termination by the Company without cause or by the grantee for good reason.

(3) Reflects additional funding owed to Mr. Baur's Nonqualified Deferred Compensation account by the Company pursuant to his employment agreement.

- (4) These amounts do not include the payout of Mr. Baur's vested balance under our Nonqualified Deferred Compensation Plan, which is reflected and described in the Nonqualified Deferred Compensation Table in this Proxy Statement. In each of 2016 and 2017 an additional payment of \$600,000 will be made to Mr. Baur's deferred compensation account, pursuant to his employment agreement, unless Mr. Baur violates one of the restrictive covenants found in his employment agreement or is terminated for cause. In addition, the terms of Mr. Baur's employment agreement provide that the Company will make any remaining deferred compensation payments pursuant thereto in the event of Mr. Baur's death or disability during the term of the employment agreement.
- (5) The executive officer's employment agreement provides that if his employment is terminated by reason of disability, he will continue to receive his salary during the period under which he continues to receive benefits under our short-term disability policy (assumed to be six months for purposes of this disclosure), less any benefits received under our short-term disability policy.

**Mr. Mathis**

*General*

Pursuant to the terms of his employment agreement, Mr. Mathis serves as our CFO. For fiscal 2015 Mr. Mathis received a base salary of \$380,000. Mr. Mathis is eligible to receive annual incentive cash and equity awards under the 2013 Plan. Subject to the provisions of his employment agreement, Mr. Mathis is obligated to comply with certain provisions relating to non-competition (for two years post termination), confidentiality and non-solicitation of customers and employees (for two years post termination) if his employment is terminated.

**Table of Contents***Benefits upon the Occurrence of Certain Termination Events*

In addition to the amounts listed below, Mr. Mathis is entitled to all accrued compensation, unreimbursed expenses and other benefits through the date of termination in the event of his termination.

	<b>Before</b>	<b>After</b>				
	<b>Change in</b>	<b>Change in</b>				
	<b>Control</b>	<b>Control</b>				
	<b>Termination</b>	<b>Termination</b>				
	<b>w/o Cause or</b>	<b>w/o Cause or</b>	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>	
	<b>for Good</b>	<b>for Good</b>	<b>Due to</b>	<b>Due to</b>	<b>Due to</b>	<b>Voluntary</b>
	<b>Reason</b>	<b>Reason</b>	<b>Death</b>	<b>Retirement</b>	<b>Disability</b>	<b>Termination</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Severance	528,331	1,320,828	-	-	-	-
Pro Rata Variable Compensation <sup>(1)</sup>	276,600	276,600	276,600	276,600	276,600	276,600
Equity Acceleration <sup>(2)</sup>	-	378,657	378,657	378,657	378,657	-
Performance-Based Equity Acceleration <sup>(3)</sup>	-	313,348	313,348	109,803	313,348	-
Medical Coverage <sup>(4)</sup>	28,960	28,960	-	-	-	-
Deferred Compensation <sup>(5)</sup>	-	34,871	34,871	34,871	34,871	-
Disability <sup>(6)</sup>	-	-	-	-	190,000	-
<b>TOTAL</b>	<b>833,891</b>	<b>2,353,264</b>	<b>1,003,476</b>	<b>799,931</b>	<b>1,193,476</b>	<b>276,600</b>

(1) Employment agreements with each Named Executive Officer provide for the payment of a pro rata portion of the current fiscal year annual variable compensation that would otherwise be payable if the Named Executive Officer had continued employment through the end of the current fiscal year, based on actual performance. Amounts shown reflect the earned and unpaid portion of each Named Executive Officer's fiscal 2015 annual variable compensation as of June 30, 2015.

- (2) Reflects (i) the difference between fair market value as of June 30, 2015, of the underlying shares over the exercise price of all unvested stock options, and (ii) the fair market value of all unearned and unvested non-performance-based restricted stock awards and restricted stock units. Vesting accelerates in the event of a change in control and termination by the Company without cause or by the grantee for good reason.
- (3) Reflects the fair market value as of June 30, 2015 of the shares of all unearned and unvested performance-based restricted stock awards, the vesting of which accelerates with a change in control and termination by the Company without cause or by the grantee for good reason.
- (4) Reflects the cost of providing continued health and welfare benefits to the executive officer as provided in the executive officer's employment agreement.
- (5) These amounts do not include the payout of the executive officer's vested balance under our Nonqualified Deferred Compensation Plan, which is reflected and described in the Nonqualified Deferred Compensation Table in this Proxy Statement.
- (6) The executive officer's employment agreement provides that if his employment is terminated by reason of disability, he will continue to receive his salary during the period under which he continues to receive benefits under our short-term disability policy (assumed to be six months for purposes of this disclosure), less any benefits received under our short-term disability policy.

**Mr. Ellsworth**

*General*

Pursuant to the terms of his employment agreement, Mr. Ellsworth serves as our Executive Vice President, General Counsel and Corporate Secretary. For fiscal 2015, Mr. Ellsworth received a base salary of \$350,000. Mr. Ellsworth is eligible to receive annual incentive cash and equity

**Table of Contents**

awards under the 2013 Plan. Subject to the provisions of his employment agreement, Mr. Ellsworth is obligated to comply with certain provisions relating to non-competition (for two years post termination), confidentiality and non-solicitation of customers and employees (for two years post termination) if his employment is terminated.

*Benefits upon the Occurrence of Certain Termination Events*

In addition to the amounts listed below, Mr. Ellsworth is entitled to all accrued compensation, unreimbursed expenses and other benefits through the date of termination in the event of his termination.

	<b>Before</b>	<b>After</b>				
	<b>Change in</b>	<b>Change in</b>				
	<b>Control</b>	<b>Control</b>				
	<b>Termination</b>	<b>Termination</b>				
	<b>w/o Cause</b>	<b>w/o Cause</b>	<b>Termination</b>	<b>Termination</b>	<b>Termination</b>	<b>Voluntary</b>
	<b>or</b>	<b>or for Good</b>	<b>Due to</b>	<b>Due to</b>	<b>Due to</b>	<b>Termination</b>
	<b>for Good</b>	<b>Reason</b>	<b>Death</b>	<b>Retirement</b>	<b>Disability</b>	<b>Termination</b>
	<b>Reason</b>	<b>Reason</b>	<b>Reason</b>	<b>Reason</b>	<b>Reason</b>	<b>Reason</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Severance	513,418	1,100,181	-	-	-	-
Pro Rata Variable Compensation <sup>(1)</sup>	200,171	200,171	200,171	200,171	200,171	200,171
Equity Acceleration <sup>(2)</sup>	-	306,466	306,466	306,466	306,466	-
Performance-Based Equity Acceleration <sup>(3)</sup>	-	156,693	156,693	54,921	156,693	-
Medical Coverage <sup>(4)</sup>	28,960	28,960	-	-	-	-
Deferred Compensation <sup>(5)</sup>	-	195,115	195,115	195,115	195,115	-
Disability <sup>(6)</sup>	-	-	-	-	175,000	-
<b>TOTAL</b>	<b>742,549</b>	<b>1,987,586</b>	<b>858,445</b>	<b>756,673</b>	<b>1,033,445</b>	<b>200,171</b>

(1) Employment agreements with each Named Executive Officer provide for the payment of a pro rata portion of the current fiscal year annual variable compensation that would otherwise be payable if the Named Executive Officer



had continued employment through the end of the current fiscal year, based on actual performance. Amounts shown reflect the earned and unpaid portion of each Named Executive Officer's fiscal 2015 annual variable compensation as of June 30, 2015.

- (2) Reflects (i) the difference between fair market value as of June 30, 2015, of the underlying shares over the exercise price of all unvested stock options, and (ii) the fair market value of all unearned and unvested non-performance-based restricted stock awards and restricted stock units. Vesting accelerates in the event of a change in control and termination by the Company without cause or by the grantee for good reason.
- (3) Reflects the fair market value as of June 30, 2015, of the shares of all unearned and unvested performance-based restricted stock awards, the vesting of which accelerates with a change in control and termination by the Company without cause or by the grantee for good reason.
- (4) Reflects the cost of providing continued health and welfare benefits to the executive officer as provided in the executive officer's employment agreement.
- (5) These amounts do not include the payout of the executive officer's vested balance under our Nonqualified Deferred Compensation Plan, which is reflected and described in the Nonqualified Deferred Compensation Table in this Proxy Statement.
- (6) The executive officer's employment agreement provides that if his employment is terminated by reason of disability, he will continue to receive his salary during the period under which he continues to receive benefits under our short-term disability policy (assumed to be six months for purposes of this disclosure), less any benefits received under our short-term disability policy.

**Table of Contents****Mr. Lyons***General*

Pursuant to the terms of his employment agreement, Mr. Lyons serves as our Senior Vice President of Finance and Principal Accounting Officer. For fiscal 2015, Mr. Lyons received a base salary of \$250,000. Mr. Lyons is eligible to receive both annual incentive cash compensation and equity awards under the 2013 Plan. Subject to the provisions of his employment agreement, Mr. Lyons is obligated to comply with certain provisions relating to non-competition (for two years post termination), confidentiality and non-solicitation of customers and employees (for two years post termination) if his employment is terminated.

*Benefits upon the Occurrence of Certain Termination Events*

In addition to the amounts listed below, Mr. Lyons is entitled to all accrued compensation, unreimbursed expenses and other benefits through the date of termination in the event of his termination.

	<b>Before</b>	<b>After</b>				
	<b>Change in</b>	<b>Change in</b>				
	<b>Control</b>	<b>Control</b>				
	<b>Termination</b>	<b>Termination</b>				
	<b>w/o Cause or</b>	<b>w/o Cause or</b>		<b>Termination</b>	<b>Termination</b>	
	<b>for Good</b>	<b>for Good</b>	<b>Termination</b>	<b>Due to</b>	<b>Due to</b>	<b>Voluntary</b>
	<b>Reason</b>	<b>Reason</b>	<b>Due to Death</b>	<b>Retirement</b>	<b>Disability</b>	<b>Termination</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Severance	295,702	739,256	-	-	-	-
Pro Rata Variable Compensation <sup>(1)</sup>	51,993	51,993	51,993	51,993	51,993	51,993
Equity Acceleration <sup>(2)</sup>	-	273,543	273,543	273,543	273,543	-
Performance-Based Equity Acceleration <sup>(3)</sup>	-	78,327	78,327	27,479	78,327	-
Medical Coverage <sup>(4)</sup>	28,960	28,960	-	-	-	-
Deferred Compensation <sup>(5)</sup>	-	23,010	23,010	23,010	23,010	-

Disability <sup>(6)</sup>	-	-	-	-	125,000	-
<b>TOTAL</b>	<b>376,655</b>	<b>1,195,089</b>	<b>426,873</b>	<b>376,025</b>	<b>551,873</b>	<b>51,993</b>

- (1) Employment agreements with each Named Executive Officer provide for the payment of a pro rata portion of the current fiscal year annual variable compensation that would otherwise be payable if the Named Executive Officer had continued employment through the end of the current fiscal year, based on actual performance. Amounts shown reflect the earned and unpaid portion of each Named Executive Officer's fiscal 2015 annual variable compensation as of June 30, 2015.
- (2) Reflects (i) the difference between fair market value as of June 30, 2015 of the underlying shares over the exercise price of all unvested stock options, and (ii) the fair market value of all unearned and unvested non-performance-based restricted stock awards and restricted stock units. Vesting accelerates in the event of a change in control and termination by the Company without cause or by the grantee for good reason.
- (3) Reflects the fair market value as of June 30, 2015, of the shares of all unearned and unvested performance based restricted stock awards, the vesting of which accelerates with a change in control and termination by the Company without cause or by the grantee for good reason.
- (4) Reflects the cost of providing continued health and welfare benefits to the executive officer as provided in the executive officer's employment agreement.
- (5) These amounts do not include the payout of the executive officer's vested balance under our Nonqualified Deferred Compensation Plan, which is reflected and described in the Nonqualified Deferred Compensation Table in this Proxy Statement.
- (6) The executive officer's employment agreement provides that if his employment is terminated by reason of disability, he will continue to receive his salary during the period under which he continues to receive benefits under our short-term disability policy (assumed to be six months for purposes of this disclosure), less any benefits received under our short-term disability policy.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about the common stock that may be issued upon the exercise of options, warrants and rights under all of the Company's existing equity compensation plans as of June 30, 2015:

<b>Plan Category</b>	<b>(a)</b> <b>Number of Securities</b> <b>to be Issued Upon</b>	<b>(b)</b> <b>Weighted Average</b> <b>Exercise Price of</b>	<b>(c)</b> <b>Number of Securities</b> <b>Remaining</b> <b>Available</b> <b>for Future</b> <b>Issuance</b> <b>Under Equity</b> <b>Compensation</b> <b>Plans</b>
	<b>Outstanding Options,</b>	<b>Outstanding Options,</b>	<b>Reflected in</b>
	<b>Warrants and Rights</b>	<b>Warrants and Rights</b>	<b>Column (a)</b>
	<b>(5)</b>		
Equity Compensation Plans Approved by Shareholders	534,265 <sup>(1)</sup>	\$41.76	2,446,465
	857,622 <sup>(2)</sup>	\$33.02	
	39,340 <sup>(3)</sup>	\$32.13	
	14,000 <sup>(4)</sup>	\$30.10	
Equity Compensation Plans Not Approved by Shareholders			
<b>TOTAL:</b>	<b>1,445,227</b>	<b>\$35.09</b>	<b>2,446,465</b>

(1) ScanSource, Inc. 2013 Long-Term Incentive Plan ( 2013 Plan ). At September 30, 2015, approximately 2,450,396 shares remain available for issuance under the 2013 Plan, which allows for grants of incentive stock options, non-qualified stock options, stock appreciation rights, performance awards, restricted stock awards, restricted stock units, deferred stock units, dividend equivalent awards and other stock-based awards. Includes restricted stock outstanding, including restricted stock awards, restricted stock units, performance restricted stock awards and performance restricted stock units. Amount includes 249,816 restricted shares outstanding in the form of

restricted stock units and performance units.

- (2) ScanSource, Inc. 2002 Long-Term Incentive Plan, as amended. Amount includes 29,380 restricted stock units outstanding.
- (3) ScanSource, Inc. 1997 Stock Incentive Plan, as amended.
- (4) ScanSource, Inc. 1999 Non-Employee Director Stock Option Plan, as amended.
- (5) The weighted-average exercise price does not reflect the shares that will be issued upon the payment of outstanding awards of restricted stock, which have no exercise price.

**Table of Contents**

**AUDIT COMMITTEE REPORT**

The Audit Committee oversees our financial reporting process on behalf of the Board of Directors. The Audit Committee operates under a written charter, a copy of which is available on the Investors page of our website, [www.scansource.com](http://www.scansource.com), under the Governance tab. This report reviews the actions taken by the Audit Committee with regard to our financial reporting process during the fiscal year ended June 30, 2015 and particularly with regard to the audited consolidated financial statements as of June 30, 2015 and June 30, 2014 and for the three years ended June 30, 2015.

The Audit Committee is composed solely of independent directors. None of the committee members is or has been an officer or employee of the Company or any of our subsidiaries or has any current business or any family relationship with the Company or any of our subsidiaries or affiliates.

Our management has the primary responsibility for our financial statements and reporting process, including the systems of internal controls. The independent auditors are responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes and to select annually the accountants to serve as our independent auditors for the coming year.

The Audit Committee has implemented procedures to ensure that during the course of each fiscal year it devotes the attention that it deems necessary or appropriate to fulfill its oversight responsibilities under the Audit Committee's charter. To carry out its responsibilities, the Audit Committee met five times during the fiscal year ended June 30, 2015.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, including a discussion of the quality, rather than just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee also discussed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principles generally accepted in the United States, their judgments as to the quality, rather than just the acceptability, of our accounting principles and such other matters as are required to be discussed with the Audit Committee under the applicable Public Company Accounting Oversight Board (PCAOB) Standards and SEC Rule 2-07 of Regulation S-X. In addition, the Audit Committee discussed with the auditors their independence from management and the Company, including the matters in the written disclosures and the letter required by the PCAOB regarding the independent auditors' communications with the Audit Committee regarding independence. The Audit Committee also considered whether the provision of services during the fiscal year ended June 30, 2015 by the auditors that were unrelated to their audit of the consolidated financial statements referred to above and to their reviews of our interim consolidated financial statements during the fiscal year is compatible with maintaining their independence.

**Table of Contents**

Additionally, the Audit Committee discussed with the independent auditors the overall scope and plan for their audit. The Audit Committee met with the independent auditors, with and without management present, to discuss the results of their examination, their evaluation of our internal controls and the overall quality of our financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2015 for filing with the SEC.

**Audit Committee:**

Charles R. Whitchurch (Chairman)  
Peter C. Browning  
Steven R. Fischer  
Michael J. Grainger  
John P. Reilly

**Table of Contents****STOCK OWNERSHIP INFORMATION****Principal Shareholder and Beneficial Ownership**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the record date by the following: (i) each of our Named Executive Officers; (ii) each of our directors and director nominees; (iii) all of our directors and executive officers as a group; and (iv) each person known to own beneficially more than 5% of our common stock.

<b>Name</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percentage<sup>(1)</sup></b>
FMR LLC <sup>(2)</sup>	2,870,292	10.55%
BlackRock, Inc. <sup>(3)</sup>	2,457,735	9.03%
Wellington Management Group, LLP <sup>(4)</sup>	1,948,016	7.16%
The Vanguard Group, Inc. <sup>(5)</sup>	1,866,728	6.86%
Fiduciary Management, Inc. <sup>(6)</sup>	1,838,481	6.76%
Royce & Associates LLC <sup>(7)</sup>	1,725,056	6.34%
The Bank of New York Mellon Corporation <sup>(8)</sup>	1,626,725	5.98%
Michael L. Baur <sup>(9)</sup>	749,965	2.68%
Steven R. Fischer	35,267	*
John P. Reilly <sup>(10)</sup>	26,300	*
Charles R. Whitchurch	16,600	*
Michael J. Grainger	15,100	*
John J. Ellsworth <sup>(11)</sup>	14,775	*
Gerald Lyons <sup>(12)</sup>	13,729	*
Charles A. Mathis <sup>(13)</sup>	11,580	*
Peter C. Browning	4,200	*
All directors and executive officers as a group (9 persons)	892,566	3.2%

\* Amount represents less than 1.0%.

<sup>(1)</sup> Applicable percentage of ownership is based upon 27,211,841 shares of our common stock outstanding on October 15, 2015. Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares shown as beneficially owned. Shares of common stock subject to options currently exercisable or exercisable within 60 days are deemed outstanding for computing the shares and percentage ownership of the person holding such options, but are not deemed outstanding for computing the percentage ownership of any other person or entity. Except as otherwise indicated, the persons or entities listed in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.

<sup>(2)</sup> The information reported is based on a Schedule 13G/A filed with the SEC on February 13, 2015 reporting sole power of FMR LLC, the parent holding company of subsidiary companies engaged in the securities business, to vote or direct the vote of 582,200 shares and sole power to dispose or direct the disposition of 2,870,292 shares. The subsidiary funds of FMR LLC have the sole power to vote or direct the voting of shares directly owned by the



funds, and the voting of these shares is carried out under written guidelines established by the funds' board of trustees. The business address of FMR LLC is 245 Summer Street, Boston, MA 02210.

- (3) The information reported is based on a Schedule 13G/A filed with the SEC on January 22, 2015 reporting sole power of BlackRock, Inc. to vote or direct the vote of 2,386,578 shares and sole power to dispose or direct the disposition of 2,457,735 shares. The business address of BlackRock, Inc. is 40 East 52nd St., New York, NY 10022.
  
- (4) The information is reported based on a Schedule 13G/A filed with the SEC on February 12, 2015 reporting the beneficial ownership of Wellington Management Group, LLP ( Wellington ) and the shared power to vote or direct the vote of 1,506,916 shares and shared power to dispose or to direct the disposition of 1,948,016 shares. The business address of Wellington is 280 Congress Street, Boston, MA 02210.

**Table of Contents**

- (5) The information is reported based on a Schedule 13G/A filed with the SEC on February 10, 2015 reporting sole power of The Vanguard Group, Inc. ( Vanguard ) to vote or direct the vote of 42,204 shares; sole power of Vanguard to dispose or direct the disposition of 1,826,724 shares; and shared power of Vanguard to dispose or direct the disposition of 40,004 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, is the beneficial owner of 40,004 shares. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of Vanguard, is the beneficial owner of 2,200 shares. The business address of Vanguard is 100 Vanguard Boulevard, Malvern PA 19355.
- (6) The information reported is based on a Schedule 13G filed with the SEC on February 10, 2015 reporting sole power of Fiduciary Management, Inc. ( FMI ) to vote or direct the vote of and dispose or direct the disposition of 1,838,481 shares. Because FMI is a registered investment adviser, these shares are owned directly by various accounts managed by FMI. These accounts have the right to receive dividends from, and the proceeds from the sale of, the shares. The business address of FMI is 100 East Wisconsin Avenue, Suite 2200, Milwaukee, WI 53202.
- (7) The information reported is based on a Schedule 13G filed with the SEC on October 5, 2015 reporting the beneficial ownership and sole power of Royce & Associates LLC to vote and dispose or direct the disposition of the shares. The business address of Royce & Associates LLC is 745 Fifth Avenue, New York, NY 10151.
- (8) The information is reported based on a Schedule 13G filed with the SEC on February 10, 2015 reporting the beneficial ownership of The Bank of New York Mellon Corporation ( Mellon ) and the shared power to vote or direct the vote of 1,546,030 shares and shared power to dispose or to direct the disposition of 1,626,544 shares. The business address of Mellon is One Wall Street, 31<sup>st</sup> Floor, New York, NY 10286.
- (9) Includes (a) 623,167 shares issuable pursuant to exercisable options and (b) 111,515 options which will become exercisable by December 14, 2015 which were granted by the Company. Does not include 146,370 shares issuable pursuant to options granted by the Company which are not currently exercisable and will not become exercisable by December 14, 2015.
- (10) Includes 7,000 shares issuable pursuant to exercisable options which were granted by the Company.
- (11) Includes (a) 8,000 shares issuable pursuant to exercisable options, (b) 2,185 options which will become exercisable by December 14, 2015 which were granted by the Company, and (c) 3,001 shares underlying unvested restricted stock units that will vest by December 14, 2015 which were granted by the Company. Does not include 4,577 shares underlying unvested restricted stock units that will not vest by December 14, 2015.
- (12) Includes (a) 8,024 shares issuable pursuant to exercisable options, (b) 1,982 options which will become exercisable by December 14, 2015, and (c) 2,907 shares underlying fully unvested restricted stock units that will vest by December 14, 2015. Does not include 3,848 shares underlying unvested restricted stock units that will not vest by December 14, 2015.

<sup>(13)</sup> Includes (a) 6,700 shares issuable pursuant to exercisable options which were granted by the Company and (b) 3,682 shares underlying fully unvested restricted stock units that will vest by December 14, 2015. Does not include (a) 3,300 shares issuable pursuant to options granted by the Company which are not currently exercisable and will not become exercisable by December 14, 2015 or (b) 5,484 shares underlying unvested restricted stock units that will not vest by December 14, 2015.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than ten percent of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and our other equity securities. Our directors, executive officers and greater than ten percent shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended June 30, 2015, all Section 16(a) filing requirements applicable to directors, executive officers and greater than ten percent beneficial owners were complied with by such persons.

**Table of Contents**

**OTHER BUSINESS**

The Board of Directors has no knowledge of any other matter to be submitted at the 2015 Annual Meeting. If any other matter shall properly come before the 2015 Annual Meeting, the persons named in this Proxy Statement will have discretionary authority to vote the shares thereby represented in accordance with their best judgment.

**Table of Contents**

**SHAREHOLDER PROPOSALS**

We must receive shareholder proposals intended to be presented at the 2016 Annual Meeting of Shareholders by June 23, 2016 for possible inclusion in the proxy materials relating to such meeting, in accordance with the SEC's Rule 14a-8. However, if the date of the 2016 Annual Meeting is changed by more than 30 days from the first anniversary of the date of the 2015 Annual Meeting, the deadline will instead be a reasonable time before we begin to print and mail the proxy statement for the 2016 Annual Meeting.

Shareholders intending to present a proposal or to nominate a candidate for director for election at the 2016 Annual Meeting of Shareholders, but not to have the proposal or nomination considered for inclusion in the proxy materials for that meeting, must be eligible and give us advance written notice in accordance with our Bylaws.

Our Bylaws provide that such notice shall set forth in writing: (i) whether the shareholder is providing the notice at the request of a beneficial holder of shares, whether the shareholder, any such beneficial holder or any nominee has any agreement, arrangement or understanding with, or has received any financial assistance, funding or other consideration from, any other person with respect to the investment by the shareholder or such beneficial holder in the Company or the matter the notice relates to, and the details thereof, including the name of such other person (the shareholder, any beneficial holder on whose behalf the notice is being delivered, any nominees listed in the notice and any persons with whom such agreement, arrangement or understanding exists or from whom such assistance has been obtained are hereinafter collectively referred to as Interested Persons ), (ii) the name and address of all Interested Persons, (iii) a complete listing of the record and beneficial ownership positions (including number or amount) of all equity securities and debt instruments, whether held in the form of loans or capital market instruments, of the Company or any of its subsidiaries held by all Interested Persons, (iv) whether and the extent to which any hedging, derivative or other transaction is in place or has been entered into within the prior six months preceding the date of delivery of the notice by or for the benefit of any Interested Person with respect to the Company or its subsidiaries or any of their respective securities, debt instruments or credit ratings, the effect or intent of which transaction is to give rise to gain or loss as a result of changes in the trading price of such securities or debt instruments or changes in the credit ratings for the Company, its subsidiaries or any of their respective securities or debt instruments (or, more generally, changes in the perceived creditworthiness of the Company or its subsidiaries), or to increase or decrease the voting power of such Interested Person, and if so, a summary of the material terms thereof, and (v) a representation that the shareholder is a holder of record of stock of the Company that would be entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose the matter set forth in the notice. As used herein, beneficially owned has the meaning provided in Rules 13d-3 and 13d-5 under the Exchange Act. The notice shall be updated not later than 10 days after the record date for the determination of shareholders entitled to vote at the meeting to provide any material changes in the foregoing information as of the record date.

The deadline for shareholders to provide written notice of intent to make nominations for the election of directors at the 2016 Annual Meeting of Shareholders (but not for inclusion in the proxy materials relating to such meeting) will be no more than 120 days and no less than 90 days prior to the first anniversary date of the annual meeting for the preceding year; provided,

---

**Table of Contents**

however, that if (and only if) the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends within 60 days after such anniversary date (an annual meeting date outside such period being referred to herein as an Other Meeting Date ), the notice shall be given in the manner provided herein by the later of the close of business on (i) the date 90 days prior to such Other Meeting Date or (ii) the tenth day following the date such Other Meeting Date is first publicly announced or disclosed.

If the notice relates to the nomination of directors it must also contain (i) the information regarding each nominee required by paragraphs (a), (e) and (f) of Item 401 of Regulation S-K adopted by the SEC (or the corresponding provisions of any successor regulation), (ii) each nominee's signed consent to serve as a director of the Company if elected, and (iii) whether each nominee is eligible for consideration as an independent director under the relevant standards contemplated by Item 407(a) of Regulation S-K (or the corresponding provisions of any successor regulation). The Company may also require any proposed nominee to furnish such other information, including completion of the Company's director's questionnaire, as it may reasonably require to determine whether the nominee would be considered independent as a director or as a member of the audit committee of the Board of Directors under the various rules and standards applicable to the Company. In addition to complying with the foregoing procedures, any stockholder recommending a director candidate must also comply with all applicable requirements of the Exchange Act, including the rules and regulations under such Act. In the event that the number of directors to be elected to the Board of Directors of the Company is increased and either all of the nominees for director or the size of the increased Board of Directors is not publicly announced or disclosed by the Company at least 100 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice shall also be considered timely hereunder, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Company at the principal executive office of the Company not later than the close of business on the tenth day following the first date all of such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

Our Nominating Committee will consider nominees recommended by shareholders that are properly brought before the Company. The proper procedures shareholders must follow to receive nominee consideration are outlined in this section.

For business proposals to be brought before an annual meeting by a shareholder, the shareholder must give timely notice to the Corporate Secretary and such other business must otherwise be a proper matter for shareholder action. Notice other than the nomination of directors must contain: (i) the text of the proposal to be presented, including the text of any resolutions to be proposed for consideration by shareholders and (ii) a brief written statement of the reasons why such shareholder favors the proposal. The deadline for shareholders to provide written notice of their intent to bring a proposal (other than a nomination for the election of directors) at the 2016 Annual Meeting of Shareholders (but not for inclusion in the proxy materials relating to such meeting) is no more than 120 days and no less than 90 days prior to the first anniversary of the 2015 Annual Meeting. However, if the 2016 Annual Meeting is more than 30 days before or more than 60 days after such anniversary date, notice must be delivered no more than 90 days and no less than 60 days prior to such Annual Meeting or the 10th day following the day on which we make a public announcement of the 2016 Annual Meeting. Assuming that the date of

**Table of Contents**

the 2016 Annual Meeting is not advanced or delayed in the manner described above, the required notice for the 2016 Annual Meeting would need to be provided to us not earlier than August 6, 2016 and not later than September 5, 2016.

To be in proper written form, a shareholder's notice to the Corporate Secretary must set forth in writing as to each matter the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on our books, of the shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (iii) the class and number of shares of our common stock which are owned beneficially and of record by the shareholder and such beneficial owner and (iv) any material interest of the shareholder or such beneficial owner in such business.

**Table of Contents**

**HOUSEHOLDING**

Some banks, brokers, and other nominee record holders may be participating in the practice of householding annual reports and proxy statements. This means that only one copy of our Annual Report on Form 10-K and Proxy Statement, as applicable, may have been sent to multiple shareholders in the same household. We will promptly deliver a separate copy of our Annual Report on Form 10-K and Proxy Statement, as applicable, to any shareholder upon request submitted in writing to the Company at the following address: ScanSource, Inc., 6 Logue Court, Greenville, South Carolina 29615, Attention: John J. Ellsworth, Corporate Secretary, or by calling (864) 286-4682. Any shareholder who wants to receive separate copies of our Annual Report on Form 10-K and Proxy Statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her bank, broker, or other nominee record holder, or contact the Company at the above address and telephone number.

**FORM 10-K**

A copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2015, which is required to be filed with the SEC, will be made available to shareholders to whom this Proxy Statement is mailed, without charge, upon written request to John J. Ellsworth, Corporate Secretary, ScanSource, Inc., 6 Logue Court, Greenville, South Carolina 29615.



**Table of Contents****APPENDIX A**

Our management emphasizes operating income and return on invested capital ( ROIC ) in evaluating and monitoring the Company's financial condition and operating performance. Management uses ROIC, a non-GAAP measure, to assess its efficiency at allocating the capital under its control to generate returns. We compute ROIC as a percentage of the Company's annual (or annualized) EBITDA (net income plus interest expense, income taxes, depreciation and amortization) divided by invested capital (defined as the sum of shareholder's equity at the beginning of the period added to the sum of shareholder's equity at the end of the period, divided by 2, plus the average daily interest bearing debt for the period).

We use ROIC as a performance measurement because we believe that this metric best balances the Company's operating results with its asset and liability management. Capitalization decisions have no impact on ROIC. ROIC is easily computed, communicated and understood and is considered to have a strong correlation with shareholder value. The components of this calculation and reconciliation to our financial statements are shown, as follows:

**Reconciliation of EBITDA to Net Income**

	<b>Fiscal Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in thousands)</b>	
Net income (GAAP)	<b>\$ 65,419</b>	\$ 81,789
Plus: income taxes	<b>34,487</b>	41,318
Plus: interest expense	<b>1,797</b>	731
Plus: depreciation & amortization	<b>11,997</b>	7,375
 EBITDA	 <b>113,700</b>	 131,213
Change in fair value of contingent consideration	<b>2,667</b>	2,311
Adjustments <sup>1</sup>	<b>3,254</b>	(15,490)
 Adjusted EBITDA (numerator for ROIC) (non-GAAP)	 <b>\$119,621</b>	 \$118,034

**Invested capital calculations**

	<b>Fiscal Year Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in thousands)</b>	
Equity beginning of the year	<b>\$802,643</b>	\$695,956
Equity end of the year	<b>808,985</b>	802,643
Change in fair value of contingent consideration	<b>1,842</b>	1,525
Adjustments, net of tax <sup>1</sup>	<b>3,254</b>	(9,756)
 Average equity, adjusted	 <b>808,362</b>	 745,184

<sup>1</sup> Includes acquisition costs for the year ended June 30, 2015, and a legal recovery, net of attorneys' fees for the year ended June 30, 2014.

---

**Table of Contents**

Average funded debt <sup>2</sup>	<b>13,421</b>	5,429
Investment capital (denominator)	<b>821,783</b>	\$750,613
Return on invested capital	<b>14.6%</b>	15.7%

<sup>2</sup> Average funded debt is calculated as the daily average amounts outstanding on our short-term and long-term interest-bearing debt.

**Table of Contents**

**ANNUAL MEETING OF SHAREHOLDERS**

**December 3, 2015 10:30 AM**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS**

This undersigned shareholder of ScanSource, Inc., a South Carolina corporation (the Company), hereby appoints Michael L. Baur and John J. Ellsworth as Proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side, all of the shares of common stock, no par value, of the Company held of record by the undersigned on October 8, 2015 at the Annual Meeting of the Shareholders of the Company to be held on December 3, 2015 or any adjournment thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER SPECIFIED HEREIN BY THE UNDERSIGNED SHAREHOLDER. THIS PROXY, IF DULY EXECUTED AND RETURNED, WILL BE VOTED FOR THE NOMINEES FOR DIRECTOR, AND FOR PROPOSALS 2 AND 3, IF NO INSTRUCTION TO THE CONTRARY IS INDICATED. THESE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OF SHAREHOLDERS OR ANY ADJOURNMENT THEREOF IN ACCORDANCE WITH THEIR JUDGMENT.**

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**(Continued and to be signed on the reverse side)**

**pPLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED.p**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF  
PROXY MATERIALS FOR THE ANNUAL MEETING:**

The Notice and Proxy Statement and Annual Report are available at

<http://www.viewproxy.com/ScanSource/2015>

**Table of Contents**

Please mark your votes like this x

**The Board of Directors recommends you vote FOR the election of the nominees for director named below:**

1. Election of Directors  01 Steven R. Fischer 02 Michael L. Baur 03 Peter C. Browning	04 Michael J. Grainger 05 John P. Reilly 06 Charles R. Whitchurch	<b>FOR</b>  <b>ALL</b>  ..	<b>WITHHOLD</b>  <b>ALL</b>  ..	<b>FOR ALL</b>  <b>EXCEPT</b>  ..
--	---	--	---	---

**To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s) of the nominee(s) on the line below**

**CONTROL NUMBER**

**The Board of Directors recommends you vote FOR the following proposals:**

2. Advisory vote to approve our named executive officer compensation.  
   .. FOR           .. AGAINST           .. ABSTAIN

3. Ratification of the appointment of Grant Thornton LLP as ScanSource s independent auditors.  
   .. FOR           .. AGAINST           .. ABSTAIN

**THE UNDERSIGNED HEREBY RATIFIES AND CONFIRMS ALL THAT SAID AGENTS, OR ANY OF THEM OR THEIR SUBSTITUTES, MAY LAWFULLY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF, AND ACKNOWLEDGES RECEIPT OF THE NOTICE OF THE ANNUAL MEETING. THE ACCOMPANYING PROXY STATEMENT AND THE ANNUAL REPORT TO SHAREHOLDERS FOR**

**THE FISCAL YEAR ENDED JUNE 30, 2015.**

**PLEASE MARK, SIGN, DATE AND RETURN IN THE ENCLOSED ENVELOPE. THANK YOU.**

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

Date: \_\_\_\_\_, 2015

Signature

Signature (if held jointly)

**pPLEASE DETACH ALONG PERFORATED LINE AND MAIL IN THE ENVELOPE PROVIDED,p**

**CONTROL NUMBER**

**PROXY VOTING INSTRUCTIONS**

Please have your 11 digit control number ready when voting by Internet or Telephone

**INTERNET**

**TELEPHONE**

**MAIL**

**Vote Your Proxy on the Internet:**

**Vote Your Proxy by Phone:**

**Vote Your Proxy by Mail:**

Go to [www.cesvote.com](http://www.cesvote.com)

Call 1 (888) 693-8683

Have your proxy card available when you access the above website. Follow the prompts to

Use any touch-tone telephone to vote your proxy. Have your proxy card available when you call.

Mark, sign, and date your proxy card, then detach it, and return it in the postage-paid envelope

vote your shares.

Follow the voting instructions to  
vote your shares.

provided.