

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

FORM 10-K

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

For the fiscal year ended June 30, 2021

OR

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

For the transition period from ____ to ____

Commission File Number: 000-26926



ScanSource, Inc.
South Carolina
(State of incorporation)

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

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, no par value	SCSC	NASDAQ Global Select Market

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

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

The aggregate market value of the voting common stock of the Registrant held by non-affiliates of the Registrant at December 31, 2020 was \$662,188,887, as computed by reference to the closing price of such stock on such date.

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

Class	Outstanding at August 20, 2021
Common Stock, no par value per share	25,499,465 shares

DOCUMENTS INCORPORATED BY REFERENCE

The registrant has incorporated by reference into Part III of this report certain portions of either an amendment to this Form 10-K or its proxy statement for its 2022 Annual Meeting of Shareholders, which are expected to be filed within 120 days after the end of the registrant's fiscal year ended June 30, 2021.

FORWARD-LOOKING STATEMENTS

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

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I</u>	<u>1</u>
Item 1. Business	1
Item 1A. Risk Factors	8
Item 1B. Unresolved Staff Comments	17
Item 2. Properties	17
Item 3. Legal Proceedings	17
Item 4. Mine Safety Disclosures	18
<u>PART II</u>	<u>19</u>
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	19
Item 6. Selected Financial Data	21
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations	24
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	41
Item 8. Financial Statements and Supplementary Data	42
Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	91
Item 9A. Controls and Procedures	91
Item 9B. Other Information	91
<u>PART III</u>	<u>92</u>
Item 10. Directors, Executive Officers and Corporate Governance	92
Item 11. Executive Compensation	92
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	92
Item 13. Certain Relationships and Related Transactions, and Director Independence	92
Item 14. Principal Accountant Fees and Services	92
<u>PART IV</u>	<u>93</u>
Item 15. Exhibits and Financial Statement Schedules	93
Item 16. Form 10-K Summary	94
<u>Signatures</u>	<u>95</u>

PART I

ITEM 1. Business.

ScanSource, Inc. (together with its subsidiaries referred to as the "Company" or "ScanSource" or "we") is at the center of the technology solution delivery channel, connecting businesses and providing solutions for their complex needs. Using a channel sales model, we provide technology solutions and services from leading suppliers of mobility and barcode, point-of-sale (POS), payments, physical security, unified communications and collaboration, telecom and cloud services to our customers.

ScanSource was incorporated in South Carolina in 1992 and serves approximately 30,000 sales partners. Net sales for fiscal year ended June 30, 2021 totaled \$3.15 billion. Our common stock trades on the NASDAQ Global Select Market under the symbol "SCSC."

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

In October 2020 and November 2020, we completed the sale of our product distribution businesses in Europe, the UK, Mexico, Colombia, Chile, Peru and our Miami-based export operations (the "Divestitures"). Management determined that the Company did not have sufficient scale in these markets to maximize our value-added model for physical product distribution, leading us to focus and invest in our higher margin businesses. The Divestitures were finalized in the second quarter of the 2021 fiscal year and reported as discontinued operations within this Form 10-K. Unless otherwise indicated, descriptions of our business and amounts reported in this Form 10-K pertain to continuing operations only.

Strategy

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

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

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

Value Proposition

Our customer channels and supplier relationships serve as competitive advantages. From our position in the center of the solution delivery channel, we provide robust value to both our sales partners and our suppliers. We make it easier for our sales partners and suppliers to deliver leading technology solutions that drive business outcomes for end-customers.

Value proposition for our customers/sales partners:

- Understand end-customer needs
- Provide more complete technology solutions
- Offer market and technology solutions expertise
- Offer training, education and marketing services

- Provide custom configuration, services, platforms and digital tools
- Deliver technical support
- Enable opportunities in emerging technologies
- Reduce working capital requirements
- Offer flexible financing solutions
- Increased ability to navigate supplier programs

Value proposition for our suppliers:

- Provide access to emerging, diverse and established customer channels and routes to market
- Create scale and efficiency
- Serve small- and medium-sized businesses more efficiently
- Deliver more complete technology solutions
- Provide market insights
- Offer expertise and technical support
- Manage channel credit
- Create demand

Financial Strength

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

Business Segments

We segment our business into two technology-focused areas that operate in the United States, Canada, Brazil and the UK:

- Worldwide Barcode, Networking & Security; and
- Worldwide Communications & Services.

Worldwide Barcode, Networking & Security Segment

The Worldwide Barcode, Networking & Security portfolio of solutions includes enterprise mobile computing, data capture, barcode printing, POS, payments, networking, electronic physical security, cyber security and other technologies. There are adjacencies among these technologies to develop and deliver solutions for our customers. These solutions include data capture and POS solutions that interface with computer systems to automate the collection, processing and communication of information for commercial and industrial applications, including retail sales, distribution, shipping, inventory control, materials handling, warehouse management and health care applications. Electronic physical security products include identification, access control, video surveillance, intrusion-related and wireless and networking infrastructure products.

Worldwide Communications & Services Segment

The Worldwide Communications & Services portfolio of solutions includes communications technologies and services for voice, video conferencing, wireless, data networking, cyber security, cable, unified communications and collaboration, cloud and technology services. As these solutions come together on IP networks, new opportunities are created to move into adjacent solutions for all vertical markets, such as education, healthcare and government. This segment includes recurring revenue from our Intelisys and intY businesses.

Customers

Our customers, or sales partners, are businesses of all sizes that sell to end-customers across industries ranging from manufacturing, warehouse and distribution, retail and e-commerce, hospitality, transportation and logistics, government, education and healthcare, among others. Our customers provide us with multiple routes-to-market through various channels, including: VARs, agents, ISOs, and ISVs. No single customer accounted for more than 6% of our total net sales for the fiscal year ended June 30, 2021.

VARs

Within VARs, our customers include specialty technology VARs, direct marketers, IT system integrators, network integrators, service providers, managed service providers and cloud service providers. Specialty technology VARs focus on one or more technologies, providing specialized knowledge and expertise for technology solutions, such as tailored software or integrated hardware. Direct marketers provide a very broad range of technology brands to business, government, education and healthcare markets. IT system integrators and network integrators develop computer and networking solutions for end-customers' IT needs. Service providers, managed service providers and cloud service providers deliver advanced multi-discipline services with customized solutions that bundle data, collaboration, cloud, network and digital telecommunication services for end-customers' needs.

Agents

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

Independent Sales Organizations

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

Independent Software Vendors

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

Suppliers

We provide products and services from approximately 500 suppliers, including 8x8, ACC Business, AT&T, Aruba/HPE, AudioCodes, Avaya, Axis, Barco, Bematech, Cisco, Comcast Business, Datalogic, Dell, Elo, Epson, Equinix, Extreme, F5, Five9, Fortinet, Genesys, Hanwha, Honeywell, HID, Ingenico, Intrado, Jabra, LogMeIn, Lumen, March Networks, Masergy, Microsoft, Mitel, NCR, NICE inContact, Oracle, Palo Alto, Panasonic, Poly, RingCentral, Samsung, Sony, Spectralink, Spectrum, Toshiba Global Commerce Solutions, Ubiquiti, Verifone, Verizon, Windstream, Zebra Technologies and Zoom. We also offer customers significant choices in cloud services through our Intelisys business, including "as a service" offerings in contact center, infrastructure and unified communications.

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

Products from two suppliers, Cisco and Zebra, each constituted more than 10% of our net sales for the fiscal year ended June 30, 2021.

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

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

- Non-exclusive distribution rights to resell products and related services in geographical areas (supplier agreements often include territorial restrictions that limit the countries in which we can sell their products and services).
- Short-term periods, subject to periodic renewal, and provide for termination by either party without cause upon 30 to 120 days' notice.
- Stock rotation rights, which give us the ability, subject to limitations, to return for credit or exchange a portion of the items purchased.
- Price protection provisions, which enables us to take a credit for declines in inventory value resulting from the supplier's price reductions.

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

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

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

Offerings and Markets

We currently market over 100,000 products from approximately 500 hardware, software and service suppliers to approximately 30,000 customers. We sell products and services to the United States and Canada from our facilities located in Mississippi, California and Kentucky; into Brazil from facilities located within the Brazilian states of Paraná, Espírito Santo and Santa Catarina. We provide digital products and services from our CASCADE platform. See "Risk Factors," for a discussion of the risks related to our foreign operations. We also have drop-shipment arrangements with some of our suppliers, which allow us to offer products to customers without taking physical delivery at our facilities. These drop-shipment arrangements represent approximately 19% of fiscal year 2021 net sales.

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

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

We offer technology solutions and services that include the following:

- *Mobility and Barcode:* We offer automatic identification and data capture ("AIDC") technology that incorporates the capabilities for electronic identification and data processing without the need for manual input. These solutions consists of a wide range of products that include portable data collection terminals, wireless products, barcode label printers and scanners. As AIDC technology has become more pervasive, applications have evolved from traditional uses, such as inventory control, materials handling, distribution, shipping and warehouse management, to more advanced applications, such as healthcare.

- *POS*: We provide POS solutions for retail, grocery and hospitality environments to efficiently manage in-store sales and operations. POS solutions include computer-based terminals, tablets, monitors, payment processing solutions, receipt printers, pole displays, cash drawers, keyboards, peripheral equipment and fully integrated processing units. These solutions may include self-service checkout, kiosks and products that attach to the POS network in the store, including network access points, routers and digital signage.
- *Payments*: We offer payment terminals, comprehensive key injection services, reseller partner branding, extensive key libraries, ability to provide point-to-point encryption (“P2PE”), and redundant key injection facilities. We have the resources to deliver secure payment devices that are preconfigured and ready for use. In addition, we partner with ISVs to deliver to merchants integrated tablet POS solution hardware that a merchant may purchase outright or “as a service,” and which includes merchant hardware support and next-day replacement of tablets, terminals and peripherals.
- *Physical Security*: We provide electronic physical security solutions that include identification, access control, video surveillance and intrusion-related products and networking infrastructure. Physical security products are used every day across every vertical market to protect lives, property and information. These technology solutions require specialized knowledge to deploy effectively, and we offer in-depth training and education to our sales partners to enable them to maintain the appropriate skill levels.
- *Unified Communications and Collaboration*: We provide unified communications and collaboration capabilities, such as voice, video, audio conferencing, web conferencing and messaging. These offerings combine voice, data, fax and speech technologies with computers, telecommunications and the internet to deliver communications solutions on-premise, from the cloud and as a hybrid. Software and hardware products include IP-based telephony platforms, Voice over Internet Protocol (“VoIP”) systems, private branch exchanges (“PBXs”), call center applications, video conferencing, desk phones and other endpoints. Cloud-delivered services, such as unified communications, contact center and video conferencing, enable end-customers to consume and pay for communications services typically on a monthly subscription basis.
- *Cloud and Telecom Services*: We offer business communications services, including voice, data, access, cable collaboration, wireless and cloud. We focus on empowering and educating sales partners so they can advise end-customers in making informed choices about services, technology and cost savings. With the CASCADE cloud services distribution platform, we offer sales partners another way to grow their recurring revenue practices. CASCADE takes the friction out of acquiring, provisioning and managing SaaS offerings. We have contracts with more than 150 of the world’s leading telecom carriers and cloud services providers.

Human Capital

General

The strength of our Company is our people, working together to help our customers grow their businesses. As of June 30, 2021, we have approximately 2,200 employees, of which approximately 1,500 are in the United States and 700 are located internationally in Canada, Brazil and the UK. We have no organized labor or trade unions in the United States. We have 12 office locations in the U.S., eight office locations outside of the U.S., and have a remote employee presence. During fiscal year 2021, we added 159 new employees.

Diversity and Inclusion

Respecting and protecting our people and our partners are our highest priorities, from ensuring and supporting an inclusive and diverse workforce and partner base; providing a safe, healthy work environment; and working with suppliers and partners that share this commitment, we do what is right for our employees, channel partners, and end customers. One of our core values is to promote an environment that respects and values the diverse backgrounds, interests, and talents of our employees. In July 2020, we reaffirmed ScanSource’s commitment to diversity and inclusion with the creation of a comprehensive Diversity & Inclusion (D&I) program and the appointment of Ken Peterson as our first Chief Diversity Officer (CDO). Since taking this role, our CDO launched a D&I strategic plan focused on awareness and education, workforce representation, supplier diversity, and community relations. Along with the appointment of the CDO, an internal D&I Advisory Council was created to assist in

the implementation of our D&I plan and serve as a sounding board for our employees. Additionally, initiatives including a D&I book and movie club are allowing interested employees to broaden their knowledge on various topics in this space.

Professional Development

We want to help our employees succeed—both professionally and personally. We focus heavily on the intellectual and professional development of our employees, and we strive to create an immersive working environment for them. To promote personal and professional growth, we also encourage our employees to pursue ongoing training and career development opportunities, and we provide tuition assistance and reimbursement for certain pre-approved continuing education programs and professional certifications. We recently enhanced our learning management system, The Hub, to provide a modernized and engaging user experience for our global employees at all levels of the Intern Class of 2019. The ScanSource Leadership Institute (SLI) is another important program that focuses on identifying and helping to develop the next wave of senior leaders for the Company. The SLI program brings together twelve hand-selected leaders from our global offices for a two-week program of intensive training and development—with organization. While this provides a tool for an individual’s education and growth, it also nurtures cross-functional collaboration with colleagues through a unique social capability.

Benefits

We offer a comprehensive benefits package which includes on average 80% coverage of employee healthcare premiums and several benefits at no cost to our employees, including life insurance, disability insurance, and work-life balance resources. The financial future of our employees is important to us, which is why we have a 401(k) -employer match, performance-based bonus program and employee ownership opportunities for a meaningful portion of our employees through equity incentive grants. We partner with Tuition.io to provide employees access to knowledge and tools to help manage or plan for student loan debt. To expand our financial wellness offerings, we offer workshops and webinars focused on student debt and general debt-counselling services.

Health and Safety

We care about our employees’ overall well-being and encourage them to have a healthy lifestyle, both physically and mentally. That’s why we offer dedicated resources to help foster a work/life balance. At the onset of the COVID-19 pandemic, we swiftly and successfully implemented a work-from-home policy for all employees across geographies, outside of our distribution centers. We have continued this policy and are pleased with how our employees have adjusted to this new way of doing business, maintaining an extremely high level of productivity and performance. With a largely remote workforce, it is critical that we continue to focus on our employees’ health. We continue to build our 360you program, which provides employees with extensive education and training/coaching opportunities, wellness and fitness challenges, screenings, and other valuable resources.

Board Role in Human Capital Management

Our Board believes that human capital management is an important component of our continued growth and success, and is essential for our ability to attract, retain and develop talented and skilled employees. We pride ourselves on a culture that respects co-workers and values concern for others.

Management regularly reports to the Board on human capital management topics, including corporate culture, diversity and inclusion, employee development and compensation and benefits. Our Board also engages in an active succession planning process. On an annual basis, with the assistance of our CEO, the Board 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.

Employee Feedback

We foster opportunities for employee engagement and have multiple avenues for communication which allows all full-time employees to anonymously give us feedback on our workplace culture, employee programs, and more. The Company was also named one of the 2021 Best Places to Work in South Carolina.

Competition

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

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

In our Worldwide Barcode, Networking & Security segment, we compete with broad-line distributors, such as Ingram Micro, Synnex and Tech Data in most geographic areas, and more specialized security distributors, such as ADI and Anixter. Additionally, we also compete against other smaller, more specialized AIDC and POS distributors, such as BlueStar. In our Worldwide Communications & Services segment, we compete against broad-line distributors, such as Ingram Micro, Synnex and Tech Data, and more specialized distributors, such as Jenne. Additionally, for Intelisys' technology services, we also compete against other smaller, master agents, such as Avant and Telarus. For our intY business, we compete against other developers of cloud software and services platforms such as CloudBlue and Pax8. As we seek to expand our business into other areas closely related to our offerings, we may encounter increased competition from current competitors and/or from new competitors, some of which may be our current sales partners.

Sales

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

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

Marketing

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

Operations

Information Technology Systems

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

inventory levels are maintained, our buyers depend on the system's purchasing and receiving functions to track inventory on a perpetual basis.

Warehouse and Shipping Strategy

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

Financial Services

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

Trade and Service Marks

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

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

Additional Information

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

ITEM 1A. Risk Factors.

The following are certain risks that could affect our business, financial position and results of operations. These risks should be considered in connection with evaluating an investment in our company and, in particular, the forward-looking statements contained in this Report because these risks could cause the actual results to differ materially from those suggested by the forward-looking statements. Additionally, there are other risks which could impact us that we may not describe, because we currently do not perceive them to be material or because they are presently unknown. If any of these risks develops into actual events, our business, financial condition or results of operations could be negatively affected, the market price of our common stock could decline and you may lose all or part of your investment in our common stock. We expressly disclaim any obligation to update or revise any risk factors, whether as a result of new information, future events or otherwise, except as required by law.

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

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

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

Cyber security risk - Our reputation and business may be harmed from cyber security risk and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our customers' or our business partners' or our own information or other breaches of our information security.

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

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

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

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

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

We completed the divestiture of our operations in Latin America countries, outside of Brazil, and our distribution operations in Europe. In addition, we exited our Canpango business. Reorienting our business and redeploying capital to focus on higher margin opportunities in our United States, Canadian and Brazilian businesses was designed to lead to longer-term value creation for our shareholders.

COVID-19 - COVID-19 is expected to have a significant and adverse impact upon our business.

The spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders, business shutdowns, and limitations of in-person gatherings. The pandemic and these containment measures have had a substantial impact on our business, suppliers' businesses and sales partners' businesses. The negative impacts to net sales from the pandemic, including declines in customer demand and supply chain disruptions, were most pronounced during the fourth quarter of fiscal year 2020, and have since

recovered throughout fiscal year 2021. While we are unable to predict the ultimate impact that COVID-19 will have on our business, certain technologies have benefited from the widespread adoption of work-from-home, as well as the accelerated shift to digitize and automate processes. However, our revenues could decrease significantly if our suppliers are not able to supply us products in a timely manner, our distribution centers may not be able to maintain staffing levels and therefore shipments, and our cash flows could suffer. We are also incurring higher employee-related healthcare and prevention costs as a result of the pandemic, including providing protective equipment to our front-line employees, and increased sanitation measures at our offices and warehouses.

To the extent the COVID-19 pandemic continues, the mitigation efforts and the resulting economic impact could adversely affect many aspects of our business. COVID-19 may also have the effect of heightening many of the other risk factors disclosed herein, such as those relating to our growth strategies, credit exposure, liquidity and capital resources, people, volatility of stock price and economic weakness.

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

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

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

Our customers rely on our electronic ordering and information systems as a source for product information, including availability and pricing. There can be no assurance that our systems will not fail or experience disruptions, and any significant failure or disruption of these systems could prevent us from making sales, ordering and delivering products and otherwise conducting our business. Many of our customers use our website to check product availability, see their customized pricing and place orders. While our website has not experienced any material disruptions or security breakdowns, it may in the future and any disruptions could harm our relationship with our suppliers, customers and other business partners. Any material disruption of our website or the Internet in general could impair our order processing or prevent our suppliers and customers from accessing information and cause us to lose business.

Acquisitions - Our growth strategy includes acquisitions of companies that complement or expand our existing business. Acquisitions involve unique risks and uncertainties.

We have acquired, and may continue to acquire, companies that complement or expand our existing business in the United States and internationally, and some of these acquisitions may be in business lines where we have little, if any, experience. Acquisitions entail a number of risks, including that the acquired company will not perform as expected and that we will be responsible for unexpected costs or liabilities. In addition, increases in the size and complexity of our business may place a significant strain on our management, operations, technical performance, financial resources and internal financial control and reporting functions, and there are no assurances that we will be able to manage the acquisition process or newly acquired companies effectively. It is not always possible to conduct an assessment of an acquired business's internal control over financial reporting in the period between the consummation date and the date of management's assessment. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations under Section 404 of the Sarbanes-Oxley Act of 2002.

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

Economic weakness - Economic weakness and geopolitical uncertainty could adversely affect our results and prospects.

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

The economic weakness brought about by COVID-19 may result in prolonged recession, which has the potential to disproportionately impact our business depending on which sectors of the economy and which geographies are most impacted.

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

As is customary in our industry, we extend credit to our customers, and most of our sales are on open accounts. As we grow and compete for business, our typical payment terms tend to be longer, and therefore may increase our credit risk.

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

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

As customers continue to face the negative economic impacts of COVID-19, we may face heightened credit losses not otherwise experienced before the pandemic.

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

We currently have significant facilities outside the United States, and a substantial portion of our revenue is derived from our international operations. These operations are subject to a variety of risks that are different from the risks that we face domestically or are similar risks but with potentially greater exposure. These risks include:

- Disproportionate negative impact from COVID-19 in a foreign location;
- Fluctuations of foreign currency and exchange rates, which can impact sales, costs of the goods we sell and the reporting of our results and assets on our financial statements;
- Changes in international trade laws, trade agreements, or trading relationships affecting our import and export activities, including export license requirements, restrictions on the export of certain technology and tariff changes, or the imposition of new or increased trade sanctions;
- Difficulties in collecting accounts receivable and longer collection periods;
- Changes in, or expiration of, various foreign incentives that provide economic benefits to us;
- Labor laws or practices that impact our ability and costs to hire, retain and discharge employees;
- Difficulties in staffing and managing operations in foreign countries;
- Changes in the interpretation and enforcement of laws (in particular related to items such as duty and taxation), and laws related to data privacy such as GDPR and other similar privacy laws that impact our IT systems and processes;

- Global economic and financial market instability related to the U.K.'s referendum withdrawal from the E.U., as well as instability from the possibility of withdrawal of other E.U. member states;
- Potential political and economic instability and changes in governments;
- Compliance with foreign and domestic import and export regulations and anti-corruption laws, including the Iran Threat Reduction and Syria Human Rights Act of 2012, U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, and similar laws of other jurisdictions, governing our business activities outside the United States, the violation of which could result in severe penalties, including monetary fines, criminal proceedings and suspension of export or import privileges; and
- Terrorist or military actions that result in destruction or seizure of our assets or suspension or disruption of our operations or those of our customers, suppliers or service providers.

We currently transact business in the UK, where we also have offices. The UK has formally exited the E.U. (“Brexit”) and the transition period has now ended. As a result, a number of agreements have been made that alter UK’s relationship with the E.U., including the terms of trade between the UK and the E.U. and the rest of the world. The measures could potentially disrupt the markets we serve and the tax jurisdictions in which we operate and adversely change tax benefits or liabilities in these or other jurisdictions. Changes resulting from these measures, including access to free trade agreements, tariffs and customs and currency fluctuations may cause us to lose customers, suppliers and employees and adversely affect our financial condition.

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

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

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

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

Customer consolidation also may lead to changes in the nature and terms of relationships with our customers. The loss or deterioration of a major customer relationship could adversely affect our business, financial condition and results of operations. COVID-19's widespread negative economic impacts could result in some of our customers shuttering their businesses, thus negatively impacting our revenues.

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

A significant percentage of our net sales relates to products we purchase from relatively few suppliers, including Cisco and Zebra. As a result of such concentration risk, terminations of supply or services agreements or a change in terms or conditions of sale from one or more of our key suppliers could adversely affect our operating margins, revenues or the level of capital required to fund our operations. Our suppliers have the ability to make adverse changes in their sales terms and conditions, such as reducing the level of purchase discounts and rebates they make available to us. We have no guaranteed price or delivery agreements with our suppliers. In certain product categories, limited price protection or return rights offered by our suppliers may have a bearing on the amount of product we are willing to stock. Our inability to pass through to our customers the impact

of these changes, as well as if we fail to develop or maintain systems to manage ongoing supplier programs, could cause us to record inventory write-downs or other losses and could have significant negative impact on our gross margins.

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

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

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

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

Our business requires significant levels of capital to finance accounts receivable and product inventory that is not financed by trade creditors. We have an increased demand for capital when our business is expanding, including through acquisitions and organic growth. Changes in payment terms with either suppliers or customers could also increase our capital requirements. We have historically relied upon cash generated from operations, borrowings under our revolving credit facility and secured and unsecured borrowings to satisfy our capital needs and to finance growth. While we believe our existing sources of liquidity will provide sufficient resources to meet our current working capital and cash requirements, if we require an increase in capital to meet our future business needs or if we are unable to comply with covenants under our borrowings, such capital may not be available to us on terms acceptable to us, or at all. We have a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks (the "Amended Credit Agreement"). The Amended Credit Agreement includes customary representations, warranties, and affirmative and negative covenants, including financial covenants. Specifically, our Leverage Ratio must be less than or equal to 3.50:1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00:1.00 as of the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates.

In addition, the cost of borrowings under our existing sources of capital and any potential new sources of capital as a result of variable interest rates and the transition away from LIBOR may increase, which could have an adverse effect on our financial condition. Changes in how lenders rate our credit worthiness, as well as macroeconomic factors such as an economic downturn, inflation, and global economic instability may restrict our ability to raise capital in adequate amounts or on terms acceptable to us, and the failure to do so could harm our ability to operate our business.

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

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

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

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

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

We have substantial goodwill. On at least an annual basis, we are required to assess our goodwill and other intangible assets, including but not limited to customer relationships, trademarks, and trade names, for impairment. This includes continuously monitoring events and circumstances that could trigger an impairment test outside of our annual impairment testing date in the fourth quarter of each year. Testing goodwill and other intangibles for impairment requires the use of significant estimates and other inputs outside of our control. If the carrying value of goodwill in any of our goodwill reporting units or other intangible assets is determined to exceed their respective fair values, we may be required to record significant impairment charges. In addition, our decision to dispose of certain of our operations may require us to recognize an impairment to the carrying value of goodwill and other intangible assets attendant to those operations. We recognized significant goodwill and intangible asset impairment in the fiscal year ended June 30, 2020. Any declines resulting in a goodwill impairment or long-lived asset impairment may result in material non-cash charges to our earnings. Impairment charges would also reduce our consolidated shareholders' equity and increase our debt-to-total-capitalization ratio, which could negatively impact our credit rating and access to the public debt and equity markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Failure to comply with environmental regulations - We are subject to various environmental regulations, and failing to comply with any requirements may adversely affect our business operations or financial results.

We are subject to various federal, state, local and foreign laws and regulations addressing environmental and other impacts from product disposal, use of hazardous materials in products, recycling of products at the end of their useful life and other related matters. Compliance with these environmental laws may have a material adverse effect on our business. These laws include the Restriction of Hazardous Substances Directive, ("RoHS"), RoHS Directive 2011/65/EU ("RoHS 2") and the European Union Waste Electrical and Electronic Equipment Directive ("WEEE") as enacted by individual European Union countries and other similar legislation adopted in North America. These directives can make companies involved in the production or distribution of electrical goods, including computers and printers, responsible for collection, recycling, treatment and disposal of recovered products. In addition, these directives and similar legislation can have an impact on the types and design of products we are able to sell in jurisdictions that have adopted such restrictions. While we strive to ensure we are in compliance with all applicable regulations, certain of these regulations impose strict liability. Additionally, we may be held responsible for the prior activities of entities that we have acquired or will acquire in the future. Failure to comply with these regulations could result in substantial costs, fines and civil or criminal sanctions, as well as third party claims for property damage or personal injury. Further, environmental laws may become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with violation, which could adversely affect our business, financial condition and results of operations.

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

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

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

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

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

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

Our fixed assets include office space and warehouses. Our principal locations and/or properties as of June 30, 2021, were as follows:

Location	Approximate Square Footage	Type of Interest	Description of Use
<i>United States</i>			
Greenville, SC	180,000	Owned	Headquarters - Principal Executive and Sales Offices
Greenville, SC	45,000	Leased	Sales and Administration Offices
Southaven, MS	741,000	Leased	Warehouse
Sacramento, CA	53,000	Leased	Sales and Administration Offices and Warehouse
Louisville, KY	22,000	Leased	Warehouse
<i>Brazil</i>			
São José dos Pinhais, Paraná, Brazil	24,000	Leased	Sales Office and Warehouse
Serra, Espírito Santo, Brazil	31,000	Leased	Sales Office and Warehouse
Itajai, Santa Catarina, Brazil	164,000	Leased	Sales Office and Warehouse

Of the 180,000 owned square footage in Greenville, South Carolina approximately 40,000 square feet is subleased to an unrelated third party. Our primary North American distribution operations are located in Southaven, Mississippi. We utilize the logistical services of various third party warehouses in the United States and Brazil. We also lease various additional sales offices and warehouse spaces, each approximately 20,000 square feet or less throughout the United States and international locations.

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

ITEM 3. Legal Proceedings.

[Table of Contents](#)

[Index to Financial Statements](#)

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

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock is quoted on the NASDAQ Global Select Market under the symbol "SCSC." As of August 20, 2021, there were approximately 715 holders of record of our common stock.

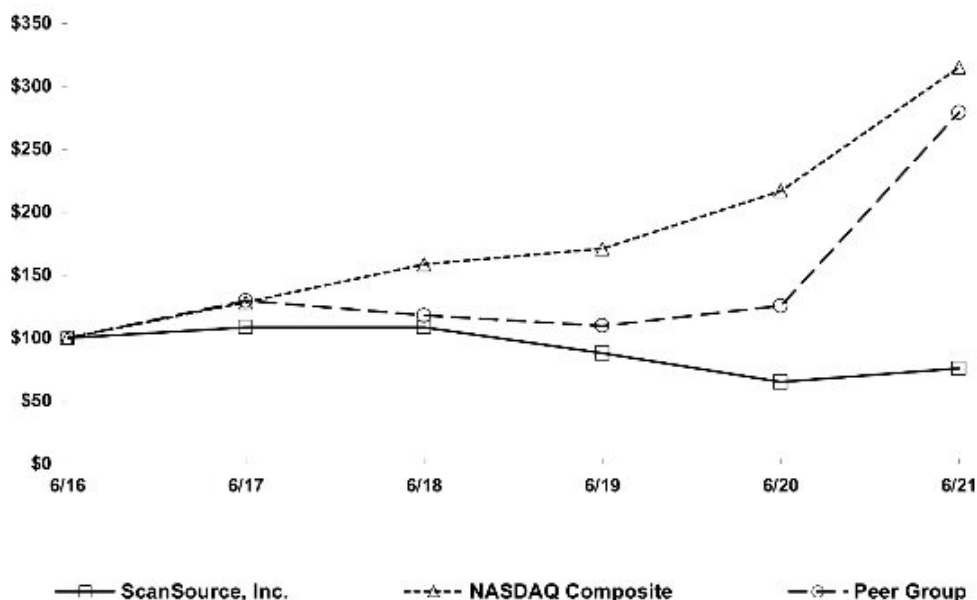
Stock Performance Chart

The following stock performance graph compares cumulative total shareholder return on our common stock over a five-year period with the Nasdaq Market Index and with the Standard Industrial Classification ("SIC") Code Index (SIC Code 5045 – Wholesale Computers and Peripheral Equipment and Software) for the same period. Total shareholder return represents stock price changes and assumes the reinvestment of dividends. The graph assumes the investment of \$100 on June 30, 2016.

	2016	2017	2018	2019	2020	2021
ScanSource, Inc.	\$ 100	\$ 109	\$ 109	\$ 88	\$ 65	\$ 76
NASDAQ Composite	\$ 100	\$ 128	\$ 159	\$ 171	\$ 217	\$ 315
SIC Code 5045 – Computers & Peripheral Equipment	\$ 100	\$ 130	\$ 118	\$ 110	\$ 126	\$ 279

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



*\$100 invested on 6/30/16 in stock or index, including reinvestment of dividends. Fiscal year ending June 30.

Share Repurchases

In August 2016, our Board of Directors ("BOD") authorized a three-year \$120 million share repurchase program. The share repurchase program expired in August 2019. During the year ended June 30, 2019, we repurchased 323,832 shares for \$10.1 million under the program. During the quarter ended September 30, 2019, we repurchased 168,068 shares for \$5.4 million under the program before it expired.

In August 2021, our Board of Directors authorized a \$100 million share repurchase program. The authorization does not have any time limit.

Dividends

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

ITEM 6. Selected Financial Data.

The selected financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. The following statement of income data and balance sheet data were derived from our Consolidated Financial Statements.

FIVE YEAR FINANCIAL SUMMARY

	Fiscal Year Ended June 30,				
	2021	2020	2019	2018	2017
	<i>(in thousands, except per share data)</i>				
Statement of income data:					
Net sales	\$ 3,150,806	\$ 3,047,734	\$ 3,249,799	\$ 3,164,709	\$ 2,963,366
Cost of goods sold	<u>2,800,090</u>	<u>2,692,165</u>	<u>2,856,996</u>	<u>2,795,403</u>	<u>2,649,364</u>
Gross profit	350,716	355,569	392,803	369,306	314,002
Selling, general and administrative expenses	247,438	259,535	244,294	232,291	203,545
Depreciation expense	12,533	13,033	12,028	12,286	8,322
Intangible amortization expense	19,488	19,953	17,893	18,680	13,522
Restructuring and other charges	9,258	604	8,654	—	—
Impairment charges	—	120,470	—	—	—
Change in fair value of contingent consideration	516	6,941	15,200	37,043	6,279
Operating income (loss)	61,483	(64,967)	94,734	69,006	82,334
Interest expense	6,929	12,224	13,162	9,121	3,010
Interest income	(3,097)	(5,826)	(1,818)	(3,710)	(5,359)
Other expense (income), net	116	411	(247)	546	(11,388)
Income (loss) before income taxes	57,535	(71,776)	83,637	63,049	96,071
Provision for income taxes	12,146	7,451	18,778	27,593	31,760
Net income (loss) from continuing operations	45,389	(79,227)	64,859	35,456	64,311
Net (loss) income from discontinued operations	(34,594)	(113,427)	(7,262)	(2,303)	4,935
Net income (loss)	\$ 10,795	\$ (192,654)	\$ 57,597	\$ 33,153	\$ 69,246
Per share data:					
Net income (loss) from continuing operations per common share, basic	\$ 1.79	\$ (3.12)	\$ 2.53	\$ 1.39	\$ 2.55
Net (loss) income from discontinued operations per common share, basic	(1.36)	(4.47)	(0.28)	(0.09)	0.19
Net income (loss) per common share, basic	\$ 0.42	\$ (7.59)	\$ 2.25	\$ 1.30	\$ 2.74
Weighted-average shares outstanding, basic	25,423	25,378	25,642	25,522	25,318
Net income (loss) from continuing operations per common share, diluted	\$ 1.78	\$ (3.12)	\$ 2.52	\$ 1.38	\$ 2.52
Net (loss) income from discontinued operations per common share, diluted	(1.36)	(4.47)	(0.28)	(0.09)	0.19
Net income (loss) per common share, diluted	\$ 0.42	\$ (7.59)	\$ 2.24	\$ 1.29	\$ 2.71
Weighted-average shares outstanding, diluted	25,518	25,378	25,734	25,624	25,515

	As of June 30,				
	2021	2020	2019	2018	2017
	<i>(in thousands)</i>				
Balance sheet data:					
Working capital	\$ 486,704	\$ 484,460	\$ 776,429	\$ 651,851	\$ 624,748
Total assets	1,671,684	1,692,094	2,067,261	1,945,295	1,718,303
Total debt (of continuing operations)	143,174	218,728	327,489	249,429	97,300
Total shareholders' equity	\$ 731,191	\$ 678,246	\$ 914,129	\$ 866,376	\$ 837,145

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

Overview

ScanSource is at the center of the technological solution delivery channel, connecting businesses and institutions and providing solutions for their complex needs. We provide technology solutions and services from leading suppliers of mobility and barcode, point-of-sale (POS), payments, physical security, unified communications and collaboration, telecom and cloud services to our customers. We serve approximately 30,000 customers located in the United States, Canada, Brazil, and the UK and provide solutions and services from approximately 500 technology suppliers.

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

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

We sell products to the United States and Canada from our facilities located in Mississippi, California and Kentucky; into Brazil primarily from facilities located in the Brazilian states of Paraná, Espírito Santo and Santa Catarina. Some of our digital products and services are provided from our CASCADE platform. We also have drop-shipment arrangements with some of our suppliers, which allow us to offer products to customers without taking physical delivery at our facilities.

Our key suppliers include 8x8, ACC Business, AT&T, Aruba/HPE, AudioCodes, Avaya, Axis, Barco, Bematech, Cisco, Comcast Business, Datalogic, Dell, Elo, Epson, Equinix, Extreme, F5, Five9, Fortinet, Genesys, Hanwha, Honeywell, HID, Ingenico, Intrado, Jabra, LogMeIn, Lumen, March Networks, Masergy, Microsoft, Mitel, NCR, NICE inContact, Oracle, Palo Alto, Panasonic, Poly, RingCentral, Samsung, Sony, Spectralink, Spectrum, Toshiba Global Commerce Solutions, Ubiquiti, Verifone, Verizon, Windstream, Zebra Technologies and Zoom. We also offer customers significant choices in cloud services through our Intelisys business, including "as a service" offerings in contact center, infrastructure and unified communications.

Recent Developments

Impact of COVID-19 on our Business Environment

The spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders, business shutdowns, and limitations of in-person gatherings. The pandemic and these containment measures have had a substantial impact on businesses around the world and on global, regional and national economies.

Our top priority is protecting the health and safety of our employees. We have transitioned our employees, where possible, to a fully remote working environment and have taken a number of measures to ensure our teams feel secure in their jobs with the flexibility and resources they need to stay safe and healthy.

We have teams monitoring the evolving situation and recommending risk mitigation actions; We are following global guidance from authorities and health officials including travel restrictions and physical distancing guidelines. All of our distribution facilities remain open and operational. Our employees are committed to providing the high level of customer service our partners have grown to expect from us in order to achieve positive results.

In July 2020, we announced actions to address the business impacts of the COVID-19 pandemic and prepare for the next phase of growth. These actions included a \$30 million annualized expense reduction plan. During the fiscal year ended June 30, 2021, we recognized approximately \$9.3 million for restructuring and other charges, largely for severance and employee benefits for employees who left the Company as part of this plan. These actions were designed to better align the cost structure for our wholesale distribution business with lower sales volumes as a result of the COVID-19 pandemic. As part of the plan, we are continuing to invest in our higher growth agency business, Intelisys. Strong growth for the Intelisys business has continued, even with the COVID-19 pandemic.

See "Risk Factors" for information on additional impacts of COVID-19 as well as other matters that could have a material adverse effect on our results of operations and financial condition.

Divestitures

We finalized the sale of our Latin American businesses, outside of Brazil, on October 30, 2020. We also finalized the sale of our Europe and UK products distribution businesses on November 12, 2020.

Our Strategy

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

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

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

Results of Operations from Continuing Operations

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

	Fiscal Year Ended June 30,	
	2021	2020
Statement of income data:		
Net sales	100.0 %	100.0 %
Cost of goods sold	88.9	88.3
Gross profit	11.1	11.7
Selling, general and administrative expenses	7.9	8.5
Depreciation expense	0.4	0.4
Intangible amortization expense	0.6	0.7
Restructuring and other charges	0.3	0.0
Impairment charges	0.0	4.0
Change in fair value of contingent consideration	0.0	0.2
Operating income (loss)	2.0	(2.1)
Interest expense	0.2	0.4
Interest income	(0.1)	(0.2)
Other (income) expense, net	0.0	0.0
Income (loss) from continuing operations before income taxes	1.8	(2.4)
Provision for income taxes	0.4	0.2
Net income (loss) from continuing operations	1.4	(2.6)
Net (loss) from discontinued operations	(1.1)	(3.7)
Net income (loss)	0.3 %	(6.3) %

Comparison of Fiscal Years Ended June 30, 2021, and 2020

Below is a discussion of fiscal years ended June 30, 2021 and 2020. Please refer to our Form 10-K for the fiscal year ended June 30, 2020 for a discussion of fiscal year ended June 30, 2019.

Net Sales

We have two reportable segments, which are based on the technologies provided to customers. The following table summarizes our net sales results by business segment and by geographic location for the comparable fiscal years ended June 30, 2021 and 2020.

	2021	2020	\$ Change	% Change	% Change Constant Currency, Excluding Divestitures and Acquisitions ^(a)
	<i>(in thousands)</i>				
Sales by Segment:					
Worldwide Barcode, Networking & Security	\$ 2,175,141	\$ 2,093,217	\$ 81,924	3.9 %	4.8 %
Worldwide Communications & Services	975,665	954,517	21,148	2.2 %	7.1 %
Total net sales	<u>\$ 3,150,806</u>	<u>\$ 3,047,734</u>	<u>\$ 103,072</u>	3.4 %	5.5 %
Sales by Geography Category:					
United States	\$ 2,840,731	\$ 2,755,134	\$ 85,597	3.1 %	3.1 %
International	310,075	292,600	17,475	6.0 %	28.5 %
Total net sales	<u>\$ 3,150,806</u>	<u>\$ 3,047,734</u>	<u>\$ 103,072</u>	3.4 %	5.5 %

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

Worldwide Barcode, Networking & Security

The Worldwide Barcode, Networking & Security segment consists of sales to technology customers in North America and Brazil. During fiscal year 2021, net sales for this segment increased \$81.9 million, or 3.9%, compared to fiscal year 2020. Excluding the foreign exchange negative impact of \$19.3 million, adjusted net sales for fiscal year 2021 increased \$101.2 million, or 4.8%, compared to the prior year. The increase in net sales and in adjusted net sales is primarily due to higher sales volume across our technologies in North America and Brazil.

Worldwide Communications & Services

The Worldwide Communications & Services segment consists of sales to technology customers in North America, Brazil, Europe and the UK. During fiscal year 2021, net sales for this segment increased \$21.1 million or 2.2% compared to fiscal year 2020 primarily due to sales growth in our North America business. Excluding the foreign exchange negative impact of \$46.5 million, adjusted net sales increased \$67.6 million, or 7.1%, compared to the prior year, with growth across our technologies in North America and Brazil.

In addition, net sales for our master agency business, Intelisys, increased 13% year-over-year. For our Intelisys business, net sales reflect the net commissions received from suppliers after paying sales partner commissions. For fiscal year 2021, Intelisys net billings, which are amounts billed by suppliers to end users and represent annual recurring revenue (ARR), totaled approximately \$2.0 billion. The fiscal year 2021 Intelisys net billings resulted in Intelisys net sales of approximately \$64.9 million.

Gross Profit

The following table summarizes our gross profit for the fiscal years ended June 30, 2021 and 2020:

	2021	2020	\$ Change	% Change	% of Sales June 30,	
					2021	2020
	<i>(in thousands)</i>					
Worldwide Barcode, Networking & Security	\$ 178,158	\$ 180,582	\$ (2,424)	(1.3) %	8.2 %	8.6 %
Worldwide Communications & Services	172,558	174,987	(2,429)	(1.4) %	17.7 %	18.3 %
Total gross profit	<u>\$ 350,716</u>	<u>\$ 355,569</u>	<u>\$ (4,853)</u>	(1.4) %	11.1 %	11.7 %

Worldwide Barcode, Networking & Security

For the Worldwide Barcode, Networking & Security segment, gross profit dollars decreased \$2.4 million, and gross profit margin decreased to 8.2% for fiscal year 2021 compared to 8.6% in the prior year. The decrease is due to a less favorable sales mix and lower vendor program recognition compared to the prior year.

Worldwide Communications & Services

For the Worldwide Communications & Services segment, gross profit dollars decreased \$2.4 million, and gross profit margin decreased to 17.7% for fiscal year 2021 compared to 18.3% in the prior year. The decrease is primarily due to a less favorable sales mix, partially offset by results contributed by our Intelisys recurring revenue business.

Operating expenses

The following table summarizes our operating expenses for the periods ended June 30, 2021 and 2020:

	2021	2020	\$ Change	% Change	% of Sales June 30,	
					2021	2020
	<i>(in thousands)</i>					
Selling, general and administrative expenses	\$ 247,438	\$ 259,535	\$ (12,097)	(4.7) %	7.9 %	8.5 %
Depreciation expense	12,533	13,033	(500)	(3.8) %	0.4 %	0.4 %
Intangible amortization expense	19,488	19,953	(465)	(2.3) %	0.6 %	0.7 %
Restructuring and other charges	9,258	604	8,654	*nm	0.3 %	— %
Impairment charges	—	120,470	(120,470)	*nm	— %	4.0 %
Change in fair value of contingent consideration	516	6,941	(6,425)	(92.6) %	— %	0.2 %
Operating expenses	<u>289,233</u>	<u>420,536</u>	<u>(131,303)</u>	(31.2) %	9.2 %	13.8 %

*nm - percentages are not meaningful

Selling, general and administrative expenses ("SG&A") decreased \$12.1 million for the fiscal year ended June 30, 2021 compared to the prior year. The decrease in SG&A expenses is primarily due to the expense reduction plan we announced in July 2020, partially offset by a Brazilian tax recovery in the prior year that did not recur.

Intangible amortization expense decreased \$0.5 million for the fiscal year ended June 30, 2021 largely due to Canpango intangible write-offs at the end of the prior fiscal year.

Restructuring and other charges incurred of \$9.3 million during the fiscal year ended June 30, 2021 primarily related to employee severance and benefit costs in connection with our expense reduction plan implemented at the end of July 2020.

No impairment charges were recorded in the fiscal year ended June 30, 2021. Impairment charges during the fiscal year ended June 30, 2020 include \$119.0 million in goodwill impairment charges for our Worldwide Barcode, Networking and Security segment and \$1.4 million in intangible asset impairment charges for our Canpango business.

We have elected to present changes in fair value of the contingent consideration owed to former shareholders of businesses we acquire separately from other SG&A expenses. In fiscal 2021, we recorded a \$0.5 million expense from change in fair value of contingent consideration, all of which is related to Intelisys. The expense is due to the recurring amortization of the unrecognized fair value discount and a reduction in the discount rate for the Intelisys liability.

Operating Income

The following table summarizes our operating income for the periods ended June 30, 2021 and 2020:

	2021	2020	\$ Change	% Change	% of Sales June 30,	
					2021	2020
	<i>(in thousands)</i>					
Worldwide Barcode, Networking & Security	\$ 28,402	\$ (83,515)	\$ 111,917	134.0 %	1.3 %	(4.0)%
Worldwide Communications & Services	44,715	22,548	22,167	98.3 %	4.6 %	2.4 %
Corporate	(11,634)	(4,000)	(7,634)	(190.9) %	— %	— %
Total operating income (loss)	\$ 61,483	\$ (64,967)	\$ 126,450	194.6 %	2.0 %	(2.1)%

Worldwide Barcode, Networking & Security

For the Worldwide Barcode, Networking & Security segment, operating income increased \$111.9 million, and operating margin increased to 1.3% for the fiscal year ended June 30, 2021 compared to the prior year. The increase in operating income and margin for the fiscal year is due to goodwill impairment charges in fiscal year 2020. Excluding goodwill impairment charges of \$119.0 million in fiscal year 2020, adjusted operating income for the fiscal year ended June 30, 2021 decreased \$7.1 million compared to the prior year. The decrease in adjusted operating income is due to lower gross profits and a Brazilian tax recovery in the prior year that did not recur.

Worldwide Communications & Services

For the Worldwide Communications & Services segment, operating income increased \$22.2 million compared to the prior year, and the operating margin increased to 4.6% for the fiscal year ended June 30, 2021. The increase in operating income and margin is largely due to lower employee-related expenses and lower expense from change in fair value of the Intelisys contingent consideration.

Corporate

Corporate incurred \$11.6 million in divestiture and restructuring costs for fiscal year ended June 30, 2021, compared to \$4.0 million in acquisition and divestiture costs for the year ended June 30, 2020.

Total Other (Income) Expense

The following table summarizes our total other (income) expense for the fiscal years ended June 30, 2021 and 2020:

	2021	2020	\$ Change	% Change	% of Sales June 30,	
					2021	2020
	<i>(in thousands)</i>					
Interest expense	\$ 6,929	\$ 12,224	\$ (5,295)	(43.3) %	0.2 %	0.4 %
Interest income	(3,097)	(5,826)	2,729	(46.8) %	(0.1)%	(0.2)%
Net foreign exchange losses (gains)	845	525	320	61.0 %	— %	— %
Other, net	(729)	(114)	(615)	539.5 %	— %	— %
Total other (income) expense	\$ 3,948	\$ 6,809	\$ (2,861)	(42.0) %	0.1 %	0.2 %

Interest expense reflects interest incurred on borrowings, non-utilization fees from our revolving credit facility and amortization of debt issuance costs. Interest expense decreased in fiscal 2021 as compared to 2020 principally from reduced borrowings on our multi-currency revolving credit facility.

Interest income for the year ended June 30, 2021 and 2020 was generated on interest-bearing customer receivables and interest earned on cash and cash equivalents, principally in Brazil.

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

Provision for Income Taxes

Income tax expense for continuing operations was \$12.1 million and \$7.5 million for the fiscal years ended June 30, 2021 and 2020, respectively, reflecting effective tax rates of 21.1% and (10.4)%, respectively. The increase in the effective tax rate for fiscal year 2021 compared to fiscal year 2020 is primarily the result of impairment charges, most of which are not deductible for tax purposes.

We expect the fiscal year 2022 effective tax rate from continuing operations to be approximately 25.0% to 26.0%. See Note 14 - *Income Taxes* in the Notes to Consolidated Financial Statements for further discussion including an effective tax rate reconciliation.

Quarterly Results

The following tables set forth certain unaudited quarterly financial data. The information has been derived from unaudited financial statements that, in the opinion of management, reflect all adjustments.

	Three Months Ended							
	Fiscal 2021				Fiscal 2020			
	Jun. 30 2021	Mar. 31 2021	Dec. 31 2020	Sept. 30 2020	Jun. 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019
	<i>(in thousands, except per share data)</i>							
Net sales	\$ 852,694	\$ 729,873	\$ 810,897	\$ 757,342	\$ 636,450	\$ 744,584	\$ 823,999	\$ 842,701
Cost of goods sold	756,916	641,757	724,854	676,563	562,303	660,006	725,680	744,176
Gross profit	<u>\$ 95,778</u>	<u>\$ 88,116</u>	<u>\$ 86,043</u>	<u>\$ 80,779</u>	<u>\$ 74,147</u>	<u>\$ 84,578</u>	<u>\$ 98,319</u>	<u>\$ 98,525</u>
Impairment charges	—	—	—	—	120,470	—	—	—
Change in fair value of contingent consideration	—	—	—	516	674	618	3,176	2,472
Net income (loss) from continuing operations	20,657	13,786	11,061	(115)	(108,859)	5,715	11,626	12,291
Net income (loss) from discontinued operations	3,053	(688)	(25,255)	(11,704)	(108,403)	(4,003)	(260)	(761)
Net income (loss)	<u>\$ 23,710</u>	<u>\$ 13,098</u>	<u>\$ (14,194)</u>	<u>\$ (11,819)</u>	<u>\$ (217,262)</u>	<u>\$ 1,712</u>	<u>\$ 11,366</u>	<u>\$ 11,530</u>
Net income (loss) from continuing operations per common share, basic	\$ 0.81	\$ 0.54	\$ 0.44	\$ (0.01)	\$ (4.29)	\$ 0.23	\$ 0.46	\$ 0.48
Net income (loss) from discontinued operations per common share, basic	0.12	(0.03)	(0.99)	(0.46)	(4.28)	(0.16)	(0.01)	(0.03)
Net income (loss) per common share, basic	<u>\$ 0.93</u>	<u>\$ 0.51</u>	<u>\$ (0.56)</u>	<u>\$ (0.47)</u>	<u>\$ (8.57)</u>	<u>\$ 0.07</u>	<u>\$ 0.45</u>	<u>\$ 0.45</u>
Weighted-average shares outstanding, basic	<u>25,482</u>	<u>25,455</u>	<u>25,395</u>	<u>25,361</u>	<u>25,353</u>	<u>25,346</u>	<u>25,274</u>	<u>25,539</u>
Net income (loss) from continuing operations per common share, diluted	\$ 0.80	\$ 0.54	\$ 0.43	\$ (0.01)	\$ (4.29)	\$ 0.23	\$ 0.46	\$ 0.48
Net income (loss) from discontinued operations per common share, diluted	0.12	(0.03)	(0.99)	(0.46)	(4.28)	(0.16)	(0.01)	(0.03)
Net income (loss) per common share, diluted	<u>\$ 0.92</u>	<u>\$ 0.51</u>	<u>\$ (0.56)</u>	<u>\$ (0.47)</u>	<u>\$ (8.57)</u>	<u>\$ 0.07</u>	<u>\$ 0.45</u>	<u>\$ 0.45</u>
Weighted-average shares outstanding, diluted	<u>25,664</u>	<u>25,572</u>	<u>25,475</u>	<u>25,361</u>	<u>25,353</u>	<u>25,363</u>	<u>25,358</u>	<u>25,617</u>

Non-GAAP Financial Information*Evaluating Financial Condition and Operating Performance*

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

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

Return on Invested Capital

Management uses ROIC as a performance measurement to assess efficiency at allocating capital under our control to generate returns. Management believes this metric balances our operating results with asset and liability management, is not impacted by capitalization decisions and correlates with shareholder value creation. In addition, it is easily computed, communicated and understood. ROIC also provides management a measure of our profitability on a basis more comparable to historical or future periods.

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

We calculate ROIC as earnings before interest expense, income taxes, depreciation and amortization, plus change in fair value of contingent consideration and other non-GAAP adjustments ("adjusted EBITDA"), divided by invested capital. Invested capital is defined as average equity plus average daily funded interest-bearing debt for the period. The following table summarizes annualized ROIC for the fiscal years ended June 30, 2021 and 2020, respectively.

	2021	2020
Return on invested capital ratio	<u>11.8 %</u>	<u>7.5 %</u>

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

	Fiscal Year Ended June 30,	
	2021	2020
	<i>(in thousands)</i>	
Reconciliation of net income to EBITDA:		
Net income (loss) from continuing operations (GAAP)	\$ 45,389	\$ (79,227)
Plus: Interest expense	6,929	12,224
Plus: Income taxes	12,146	7,451
Plus: Depreciation and amortization	33,507	35,328
EBITDA (non-GAAP)	<u>97,971</u>	<u>(24,224)</u>
Plus: Change in fair value of contingent consideration	516	6,941
Plus: Acquisition and divestiture costs ^(a)	2,376	4,000
Plus: Restructuring costs	9,047	604
Plus: Impairment charges	—	120,470
Plus: Tax recovery	—	(10,744)
Adjusted EBITDA (numerator for ROIC) (non-GAAP)	<u>\$ 109,910</u>	<u>\$ 97,047</u>

Invested capital calculations

	Fiscal Year Ended June 30,	
	2021	2020
	<i>(in thousands)</i>	
Invested capital calculations:		
Equity – beginning of the year	\$ 678,246	\$ 914,129
Equity – end of the year	731,191	678,246
Plus: Change in fair value of contingent consideration, net	390	5,247
Plus: Acquisition and divestiture costs ^(a)	2,337	4,000
Plus: Restructuring, net	6,840	449
Plus: Impairment charges, net	—	114,398
Plus: Tax recovery, net	—	(8,001)
Plus: Impact of discontinued operations, net	34,594	113,427
Average equity	726,799	910,948
Average funded debt ^(b)	202,869	390,709
Invested capital (denominator for ROIC) (non-GAAP)	<u>\$ 929,668</u>	<u>\$ 1,301,657</u>

(a) Includes acquisition and divestitures costs for the year ended June 30, 2021 and 2020. Acquisition and divestiture costs are generally non-deductible for tax purposes.

(b) Average funded debt, which includes both continuing operations and discontinued operations, is calculated as the daily average amounts outstanding on our short-term and long-term interest-bearing debt.

Net Sales in Constant Currency, Excluding Acquisitions and Divestitures

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

Net Sales by Segment:

	Fiscal Year Ended June 30,		\$ Change	% Change
	2021	2020		
	<i>(in thousands)</i>			
Worldwide Barcode, Networking & Security:				
Net sales, reported	\$ 2,175,141	\$ 2,093,217	\$ 81,924	3.9 %
Foreign exchange impact ^(a)	19,311	—		
Non-GAAP net sales, constant currency	<u>\$ 2,194,452</u>	<u>\$ 2,093,217</u>	\$ 101,235	4.8 %
Worldwide Communications & Services:				
Net sales, reported	\$ 975,665	\$ 954,517	\$ 21,148	2.2 %
Foreign exchange impact ^(a)	46,470	—		
Non-GAAP net sales, constant currency	<u>\$ 1,022,135</u>	<u>\$ 954,517</u>	\$ 67,618	7.1 %
Consolidated:				
Net sales, reported	\$ 3,150,806	\$ 3,047,734	\$ 103,072	3.4 %
Foreign exchange impact ^(a)	65,781	—		
Non-GAAP net sales, constant currency	<u>\$ 3,216,587</u>	<u>\$ 3,047,734</u>	\$ 168,853	5.5 %

(a) Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the year ended June 30, 2021 into U.S. dollars using the average foreign exchange rates for the year ended June 30, 2020.

Net Sales by Geography:

	Fiscal Year Ended June 30,		\$ Change	% Change
	2021	2020		
	<i>(in thousands)</i>			
United States and Canada:				
Net sales, as reported	<u>\$ 2,840,731</u>	<u>\$ 2,755,134</u>	\$ 85,597	3.1 %
International:				
Net sales, reported	\$ 310,075	\$ 292,600	\$ 17,475	6.0 %
Foreign exchange impact ^(a)	<u>65,781</u>	<u>—</u>		
Non-GAAP net sales, constant currency	<u>\$ 375,856</u>	<u>\$ 292,600</u>	\$ 83,256	28.5 %
Consolidated:				
Net sales, reported	\$ 3,150,806	\$ 3,047,734	103,072	3.4 %
Foreign exchange impact ^(a)	<u>65,781</u>	<u>—</u>		
Non-GAAP net sales, constant currency	<u>\$ 3,216,587</u>	<u>\$ 3,047,734</u>	\$ 168,853	5.5 %

(a) Year-over-year net sales growth rate excluding the translation impact of changes in foreign currency exchange rates. Calculated by translating the net sales for the year ended June 30, 2021 into U.S. dollars using the average foreign exchange rates for the year ended June 30, 2020.

Income Statement Non-GAAP Metrics

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

Operating Income by Segment:

	Fiscal year ended June 30,		\$ Change	% Change	% of Net Sales June 30,	
	2021	2020			2021	2020
Worldwide Barcode, Networking & Security:						
GAAP operating income (loss)	\$ 28,402	\$ (83,515)	\$ 111,917	(134.0)%	1.3 %	(4.0)%
Adjustments:						
Amortization of intangible assets	7,871	7,871	—			
Tax recovery	—	(5,480)	5,480			
Impairment charges	—	119,037	(119,037)			
Non-GAAP operating income	\$ 36,273	\$ 37,913	\$ (1,640)	(4.3)%	1.7 %	1.8 %
Worldwide Communications & Services:						
GAAP operating income	\$ 44,715	\$ 22,548	\$ 22,167	98.3 %	4.6 %	2.4 %
Adjustments:						
Amortization of intangible assets	11,617	12,082	(465)			
Change in fair value of contingent consideration	516	6,941	(6,425)			
Restructuring costs	—	604	(604)			
Tax recovery	—	(2,583)	2,583			
Impairment charges	—	1,433	(1,433)			
Non-GAAP operating income	\$ 56,848	\$ 41,025	\$ 15,823	38.6 %	5.8 %	4.3 %
Corporate:						
GAAP operating loss	\$ (11,634)	\$ (4,000)	\$ (7,634)	nm*	nm*	nm*
Adjustments:						
Acquisition and divestiture costs	2,376	4,000	(1,624)			
Restructuring costs	9,258	—	9,258			
Non-GAAP operating income	\$ —	\$ —	\$ —	nm*	nm*	nm*
Consolidated:						
GAAP operating income (loss)	\$ 61,483	\$ (64,967)	\$ 126,450	(194.6)%	2.0 %	(2.1)%
Adjustments:						
Amortization of intangible assets	19,488	19,953	(465)			
Change in fair value of contingent consideration	516	6,941	(6,425)			
Acquisition and divestiture costs	2,376	4,000	(1,624)			
Restructuring costs	9,258	604	8,654			
Tax recovery	—	(8,063)	8,063			
Impairment charges	—	120,470	(120,470)			
Non-GAAP operating income	\$ 93,121	\$ 78,938	\$ 14,183	18.0 %	3.0 %	2.6 %

Year ended June 30, 2021						
GAAP Measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, divestiture and restructuring costs ^(a)	Tax recovery, net	Impairment charges	Non-GAAP measure
<i>(in thousands, except per share data)</i>						
Net sales	\$ 3,150,806	\$ —	\$ —	\$ —	\$ —	\$ 3,150,806
Gross profit	350,716	—	—	—	—	350,716
Operating income	61,483	19,488	516	11,634	—	93,121
Other expense, net	3,948	—	—	—	—	3,948
Pre-tax income	57,535	19,488	516	11,634	—	89,173
Net income from continuing operations	45,389	14,753	390	9,336	—	69,868
Diluted EPS from continuing operations	\$ 1.78	\$ 0.58	\$ 0.02	\$ 0.36	\$ —	\$ 2.74

(a) Acquisition and divestiture costs totaled \$2.3 million for the fiscal year ended June 30, 2021 and are generally nondeductible for tax purposes. Restructuring costs totaled \$9.3 million for the fiscal year ended June 30, 2021.

Year ended June 30, 2020						
GAAP Measure	Intangible amortization expense	Change in fair value of contingent consideration	Acquisition, divestiture and restructuring costs ^(a)	Tax recovery, net	Impairment charges	Non-GAAP measure
<i>(in thousands, except per share data)</i>						
Net sales	\$ 3,047,734	\$ —	\$ —	\$ —	\$ —	\$ 3,047,734
Gross profit	355,569	—	—	—	—	355,569
Operating (loss) income	(64,967)	19,953	6,941	4,604	(8,063)	78,938
Other expense, net	6,809	—	—	—	2,681	9,490
Pre-tax (loss) income	(71,776)	19,953	6,941	4,604	(10,744)	69,448
Net (loss) income from continuing operations	(79,227)	15,091	5,247	4,449	(8,001)	51,957
Diluted EPS from continuing operations	\$ (3.12)	\$ 0.59	\$ 0.21	\$ 0.18	\$ (0.32)	\$ 2.05

(a) Acquisition and divestiture costs totaled \$4.0 million for the fiscal year ended June 30, 2020 and are generally nondeductible for tax purposes. Restructuring costs totaled \$0.6 million for the fiscal year ended June 30, 2020.

Critical Accounting Policies and Estimates

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

Allowances for Trade and Notes Receivable

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

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

Inventory Reserves

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

Supplier Programs

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

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

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

Goodwill

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

Under ASC 350, if fair value of goodwill fair value is determined to be less than carrying value, an impairment loss is recognized for the amount of the carrying value that exceeds the amount of the reporting units' fair value, not to exceed the total amount of goodwill allocated to the reporting unit. Additionally, we would consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. We also assess the recoverability of goodwill if facts and circumstances indicate goodwill may be impaired. In our most recent annual test, we estimated the fair value of our reporting units primarily based on the income approach utilizing the discounted cash flow method. We also utilized fair value estimates derived from the market approach utilizing the public company market multiple method to validate the results of the discounted cash flow method, which required us to make assumptions about the applicability of those multiples to our reporting units. The discounted cash flow method requires us to estimate future cash flows and discount those amounts to present value. The key assumptions utilized in determining fair value included:

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

While we believe our assumptions are appropriate, they are subject to uncertainty and by nature include judgments and estimates regarding future events, including projected growth rates, margin percentages and operating efficiencies. Key assumptions used in determining fair value include projected growth and operating margin, working capital requirements and discount rates. During fiscal year 2021, we completed our annual impairment test as of April 30th and determined that our goodwill was not impaired. During fiscal year 2020, we determined that goodwill for our Worldwide Barcode, Networking and Security reporting unit was impaired and recorded an impairment charge of \$119.0 million.

See Note 8 - *Goodwill and Other Identifiable Intangible Assets* in the Notes to Consolidated Financial Statements for further discussion on our goodwill impairment testing and results.

Liability for Contingent Consideration

In addition to the initial cash consideration paid to former shareholders of Intelisys and Network1, we agreed to make additional earnout payments based on future results through a specified date based on a multiple of the subsidiary's pro forma earnings as defined in the respective purchase agreements. We paid the final earnout payments to the former shareholders of Intelisys in fiscal year 2021. We paid the final earnout payment to the former shareholders of Network1 during fiscal year 2019.

In accordance with ASC Topic 805, *Business Combinations*, we determine the fair value of this liability for contingent consideration at each reporting date throughout the term of the earnout using a form of a probability weighted discounted cash flow model. Each period we reflect the contingent consideration liability at fair value with changes recorded in the change in

fair value of contingent consideration line item on the Consolidated Income Statement. Current and noncurrent portions of the liability are presented in the current portion of contingent consideration and long-term portion of contingent consideration line items on the Consolidated Balance Sheets.

Off-Balance Sheet Arrangements

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

Accounting Standards Recently Issued

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

Liquidity and Capital Resources

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

Cash and cash equivalents totaled \$62.7 million and \$29.5 million at June 30, 2021 and 2020, respectively, of which \$52.1 million and \$23.6 million was held outside of the United States as of June 30, 2021 and 2020, respectively. Checks released but not yet cleared from these accounts in the amounts of \$14.3 million and \$17.1 million are classified as accounts payable as of June 30, 2021 and 2020, respectively.

We conduct business in many locations throughout the world where we generate and use cash. We provide for United States income taxes for the earnings of our Canadian subsidiary and, starting in the fourth quarter of fiscal year 2021, in Brazil. See Note 14 - *Income Taxes* in the Notes to the Consolidated Financial Statements for further discussion.

Our net investment in working capital increased \$55.5 million to \$486.7 million at June 30, 2021 from \$431.3 million at June 30, 2020, primarily from increases in accounts receivable and decreases in contingent consideration, partially offset by increases in accounts payable. Increases in accounts receivable and accounts payable in the current year are due to higher sales volumes as a result of general economic recovery following the initial impact of the COVID-19 pandemic. Our net investment in working capital is affected by several factors such as fluctuations in sales volume, net income, timing of collections from customers, increases and decreases to inventory levels, payments to suppliers, as well as cash generated or used by other financing and investing activities.

Cash provided by (used in):	Year ended	
	June 30, 2021	June 30, 2020
	<i>(in thousands)</i>	
Operating activities of continuing operations	\$ 116,767	\$ 182,033
Investing activities of continuing operations	31,993	(55,308)
Financing activities of continuing operations	(118,824)	(152,686)

Net cash provided by operating activities was \$116.8 million for the year ended June 30, 2021, compared to \$182.0 million provided by operating activities for the year ended June 30, 2020. Operating cash flows for the year ended June 30, 2021 is primarily attributable to earnings from operations adjusted for non-cash item and increased accounts payable, partially offset by increased accounts receivable. Operating cash flows for the year ended June 30, 2020 is primarily attributable to reduced inventory and accounts receivable balances and earnings from operations adjusted for non-cash items.

Excluding the master agency business, the number of days sales outstanding ("DSO") was 60 at June 30, 2021, compared to 63 at June 30, 2020. The increase in DSO is primarily a result of changes in the aging portfolio of North America. Throughout the current fiscal year, DSO ranged from 60 to 63. Inventory turnover was 6.5 times during the fourth quarter of the current fiscal year, compared to 4.5 times in the fourth quarter of fiscal year 2020. Throughout the current fiscal year, inventory turnover ranged from 5.8 to 6.9 times.

Cash provided by investing activities was \$32.0 million in fiscal year June 30, 2021. Cash used in investing activities was \$55.3 million for the year ended June 30, 2020. Cash provided by investing activities is primarily attributable to cash received for the disposal of our Latin American and Europe entities. In fiscal year 2020, cash used in investing activities is primarily attributable to cash used to purchase intY.

Cash used in financing activities totaled to \$118.8 million and \$152.7 million for the fiscal years ended June 30, 2021 and 2020, respectively. For fiscal years 2021 and 2020, cash used in financing activities is primarily attributable to net debt repayments and contingent consideration payments.

Share Repurchase Program

In August 2016, the Board of Directors authorized a three year \$120 million share repurchase program. The share repurchase program expired in August 2019. Since the inception of the program, we repurchased 1.1 million shares totaling \$35.9 million, of which 0.2 million totaling \$5.4 million were repurchased during the year ended June 30, 2020.

In August 2021, our Board of Directors authorized a \$100 million share repurchase program. The authorization does not have any time limit.

Credit Facility

We have a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks. On April 30, 2019, we amended this credit facility to expand the borrowing capacity and extend its maturity to April 30, 2024. The Amended Credit Agreement includes (i) a five-year \$350 million multi-currency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. Pursuant to an "accordion feature," we may increase our borrowings by up to an additional \$250 million, for a total of up to \$750 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to \$50 million for letters of credit, subject to obtaining additional credit commitments from the lenders participating in the increase.

At our option, loans denominated in U.S. dollars under the Amended Credit Agreement, other than swingline loans, bear interest at a rate equal to a spread over the LIBOR or alternate base rate depending upon the Company's net leverage ratio, calculated as total debt less up to \$15 million of unrestricted domestic cash to trailing four-quarter adjusted earnings before interest expense, taxes, depreciation and amortization ("EBITDA") (the "Leverage Ratio"). This spread ranges from 1.00% to 1.750% for LIBOR-based loans and 0.00% to 0.750% for alternate base rate loans. The Amended Credit Agreement provides for the substitution of a new interest rate benchmark upon the transition from LIBOR, subject to agreement between the Company and the administrative agent. The Amended Credit Agreement contains customary yield protection provisions. Additionally, the Company is assessed commitment fees ranging from 0.15% to 0.30%, depending upon the Leverage Ratio, on non-utilized borrowing availability, excluding swingline loans. Borrowings under the Amended Credit Agreement are guaranteed by substantially all of the domestic assets of the Company and a pledge of up to 65% of capital stock or other equity interest in certain foreign subsidiaries determined to be either material or a subsidiary borrower as defined in the Amended Credit Agreement.

The Amended Credit Agreement includes customary representations, warranties, and affirmative and negative covenants, including financial covenants. Specifically, our Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, our Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00:1.00 as of the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. We were in compliance with all covenants under the credit facility as of June 30, 2021. Including borrowings for both continuing and discontinued operations, there was \$0.0 million and \$92.4 million outstanding on the revolving credit facility at June 30, 2021 and 2020, respectively.

Including borrowings for both continuing and discontinued operations, the average daily balance on the revolving credit facility, excluding the term loan facility, was \$54.6 million and \$235.4 million for the years ended June 30, 2021 and 2020, respectively. There were no letters of credit issued as of June 30, 2021. There were letters of credit issued under the multi-currency revolving credit facility for the discontinued operations of \$0.3 million as of June 30, 2020. Taking into consideration outstanding borrowings on the multi-currency revolving credit facility for both continuing and discontinued operations, there was \$350.0 million and \$257.3 million available for additional borrowings as of June 30, 2021 and 2020, respectively. Availability to use this borrowing capacity depends upon, among other things, the levels of our Leverage Ratio and Interest Coverage Ratio, which, in turn, will depend upon (1) our Credit Facility Net Debt relative to our EBITDA, and (2) Credit Facility EBITDA relative to total interest expense respectively. As a result, our availability will increase if EBITDA increases (subject to the limit of the facility) and decrease if EBITDA decreases. At June 30, 2021, based upon the calculation of our Credit Facility Net Debt relative to our Credit Facility EBITDA, there was \$281.6 million available for borrowing. While we were in compliance with the financial covenants contained in the Credit Facility as of June 30, 2021, and currently expect to continue to maintain such compliance, should we encounter difficulties, our historical relationship with our Credit Facility lending group has been strong and we anticipate their continued support of our long-term business.

Earnout Payments

In fiscal year 2021, we paid the final earnout payment to the former shareholders of Intelisys related to their acquisition on August 29, 2016. See Note 11 - *Fair Value of Financial Instruments* for a discussion on the liabilities recorded. We paid the final earnout payment to the former shareholders of Network1 in fiscal year 2019.

Summary

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

Commitments

At June 30, 2021, we had contractual obligations in the form of non-cancelable operating leases, a capital lease (including interest payments), and debt (including interest payments). See Notes 9 and 15 of the Notes to the Consolidated Financial Statements. The following table summarizes our future contractual obligations:

	Payments Due by Period				
	Total	Year 1	Years 2-3	Years 4-5	Greater than 5 Years
	<i>(in thousands)</i>				
Contractual Obligations					
Non-cancelable operating leases ⁽¹⁾	\$ 20,834	\$ 5,040	\$ 8,838	\$ 5,977	\$ 979
Capital lease	1,456	1,228	229	—	—
Principal debt payments	143,174	7,843	131,950	718	2,663
Total obligations	<u>\$ 165,464</u>	<u>\$ 14,111</u>	<u>\$ 141,017</u>	<u>\$ 6,695</u>	<u>\$ 3,642</u>

- (1) Amounts to be paid in future periods for real estate taxes, insurance and other operating expenses applicable to the properties pursuant to the respective operating leases have been excluded from the table above as the amounts payable in future periods are generally not specified in the lease agreements and are dependent upon amounts which are not known at this time. Such amounts were not material in the current fiscal year.

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

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

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include revolving credit facilities with a group of banks used to maintain liquidity and fund our business operations. The nature and amount of our debt may vary as a result of future business requirements, market conditions and other factors. A hypothetical 100 basis point increase or decrease in interest rates on total borrowings (continuing and discontinued operations) on our revolving credit facility and variable rate long-term debt, net of the impact of the interest rate swap, would have resulted in approximately a \$1.0 million and \$2.9 million increase or decrease in pre-tax income for the fiscal year ended June 30, 2021 and 2020, respectively.

We evaluate our interest rate risk and may use interest rate swaps to mitigate the risk of interest rate fluctuations associated with our current and long-term debt. At June 30, 2021 and 2020 we had \$143.2 million and \$247.0 million, respectively, in variable rate debt for both continuing and discontinued operations. In connection with the borrowings under the credit facility including potential future amendments or extensions of the facility, we entered into an interest rate swap with a notional amount of \$100.0 million, with a \$50.0 million tranche scheduled to mature on April 30, 2024 and a \$50.0 million tranche scheduled to mature April 30, 2026. The purpose of the interest rate swap is to manage or hedge our exposure to floating rate debt and achieve a desired proportion of fixed versus floating rate debt. Our use of derivative instruments have the potential to expose us to certain market risks including the possibility of (1) our hedging activities not being as effective as anticipated in reducing the volatility of our cash flows, (2) the counterparty not performing its obligations under the applicable hedging arrangement, (3) the hedging arrangement being imperfect or ineffective or (4) the terms of the swap or associated debt changing. We seek to lessen such risks by having established a policy to identify, control and manage market risks which may arise from changes in interest rates, as well as limiting our counterparties to major financial institutions.

Foreign Currency Exchange Rate Risk

We are exposed to foreign currency risks that arise from our foreign operations in Canada, Brazil, and the UK. These risks include transactions denominated in non-functional currencies and intercompany loans with foreign subsidiaries. In the normal course of the business, foreign exchange risk is managed by the use of currency options and forward contracts to hedge these exposures as well as balance sheet netting of exposures. In addition, exchange rate fluctuations may cause our international results to fluctuate significantly when translated into U.S. dollars. A hypothetical 10% increase or decrease in foreign exchange rates would have resulted in approximately a \$1.4 million and \$1.1 million increase or decrease in pre-tax income for fiscal years ended June 30, 2021 and 2020, respectively. These risks may change over time as business practices evolve and could have a material impact on our financial results in the future.

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

We have elected not to designate our foreign currency contracts as hedging instruments, and therefore, the instruments are marked-to-market with changes in their values recorded in the consolidated income statement each period. Our foreign currencies are primarily Brazilian reais, British pounds and Canadian dollars. At June 30, 2021 and 2020 the fair value of our currency forward contracts were a net payable of less than \$0.1 million.

ITEM 8. Financial Statements and Supplementary Data.

Index to Financial Statements

	<u>Page</u>
Financial Statements	
Report of Grant Thornton LLP Independent Registered Public Accounting Firm	43
Report Report of Grant Thornton LLP Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	45
Consolidated Balance Sheets	46
Consolidated Income Statements	47
Consolidated Statements of Comprehensive Income (Loss)	48
Consolidated Statements of Shareholders' Equity	49
Consolidated Statements of Cash Flows	50
Notes to Consolidated Financial Statements	52

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

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ScanSource, Inc.:

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of ScanSource, Inc. (a South Carolina corporation) and subsidiaries (the “Company”) as of June 30, 2021 and 2020, the related consolidated statements of income, comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended June 30, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated August 24, 2021 expressed an unqualified opinion.

Basis for opinion

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

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

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Supplier incentives

As described in Note 1 to the consolidated financial statements, the Company has incentive agreements with many of its suppliers. Supplier rebates can be in the form of instant rebates or achievement-based rebates. Instant rebate programs reduce the Company’s inventory cost so that the Company can reduce the ultimate sales price to the customer or provide additional margin to the Company. Achievement-based rebates are earned by achieving certain sales or purchase targets on a periodic basis. We identified supplier incentives as a critical audit matter.

We identified supplier incentives as a critical audit matter due to the large volume of transactions subject to rebates that are earned under varying contract terms, and the related estimates made by management. The Company determines whether, among other items, all qualifying sales and purchases are considered in calculating the rebates and cash receipts or credit memos received are appropriately applied. The determination of achievement-based rebates requires management to make estimates about future purchases and sales. For both instant and achievement-based rebates, there is a risk that the rebates are not accounted for consistent with the terms of the current contracts, which requires a high degree of auditor judgment in designing and executing audit procedures to respond to this risk.

Our audit procedures related to the supplier incentives included the following, among others. We confirmed a sample of outstanding balances of supplier rebates receivable. For unreturned confirmations, we vouched the related balances to subsequent cash receipts or credit memos received by the Company or obtained the underlying vendor agreements. Using those agreements, we recalculated the receivable based on the stated terms and evaluated the Company's estimates to determine whether the rebate thresholds were met. We verified the completeness and accuracy of the underlying sales or purchases data used by management in determining whether they qualified for rebates during the period. In addition, we analyzed the rebates receivable collection history to evaluate the overall collectability of the supplier rebates receivable balance. We also tested the design and operating effectiveness of controls relating to supplier incentives including, among others, the Company's controls over processing new incentive agreements, specifically related to the appropriate recognition of reductions to cost of goods sold for instant rebates and the appropriate amortization of inventory valuation adjustments to cost of goods sold for achievement-based rebates.

/s/ Grant Thornton LLP

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

Columbia, South Carolina
August 24, 2021

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ScanSource, Inc.:

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of ScanSource, Inc. (a South Carolina corporation) and subsidiaries (the “Company”) as of June 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended June 30, 2021, and our report dated August 24, 2021 expressed an unqualified opinion on those financial statements.

Basis for opinion

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

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

Definition and limitations of internal control over financial reporting

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

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

/s/ Grant Thornton LLP

Columbia, South Carolina
August 24, 2021

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

	June 30, 2021	June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,718	\$ 29,485
Accounts receivable, less allowance of \$19,341 at June 30, 2021 and \$21,906 at June 30, 2020	568,984	443,185
Inventories	470,081	454,885
Prepaid expenses and other current assets	117,860	94,681
Current assets held for sale	—	181,231
Total current assets	1,219,643	1,203,467
Property and equipment, net	42,836	55,641
Goodwill	218,877	214,288
Identifiable intangible assets, net	104,860	121,547
Deferred income taxes	21,853	24,630
Other non-current assets	63,615	72,521
Total assets	<u>\$ 1,671,684</u>	<u>\$ 1,692,094</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 634,805	\$ 454,240
Accrued expenses and other current liabilities	87,790	76,686
Current portion of contingent consideration	—	46,334
Income taxes payable	2,501	5,886
Current portion of long-term debt	7,843	7,839
Current liabilities held for sale	—	128,022
Total current liabilities	732,939	719,007
Deferred income taxes	3,954	3,884
Long-term debt, net of current portion	135,331	143,175
Borrowings under revolving credit facility	—	67,714
Other long-term liabilities	68,269	80,068
Total liabilities	940,493	1,013,848
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, no par value; 3,000,000 shares authorized, none issued	—	—
Common stock, no par value; 45,000,000 shares authorized, 25,499,465 and 25,361,298 shares issued and outstanding at June 30, 2021 and June 30, 2020, respectively	71,253	63,765
Retained earnings	758,071	747,276
Accumulated other comprehensive loss	(98,133)	(132,795)
Total shareholders' equity	731,191	678,246
Total liabilities and shareholders' equity	<u>\$ 1,671,684</u>	<u>\$ 1,692,094</u>

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Income Statements
Years Ended June 30, 2021, 2020 and 2019
(in thousands, except per share information)

	2021	2020	2019
Net sales	\$ 3,150,806	\$ 3,047,734	\$ 3,249,799
Cost of goods sold	2,800,090	2,692,165	2,856,996
Gross profit	350,716	355,569	392,803
Selling, general and administrative expenses	247,438	259,535	244,294
Depreciation expense	12,533	13,033	12,028
Intangible amortization expense	19,488	19,953	17,893
Restructuring and other charges	9,258	604	8,654
Impairment charges	—	120,470	—
Change in fair value of contingent consideration	516	6,941	15,200
Operating income (loss)	61,483	(64,967)	94,734
Interest expense	6,929	12,224	13,162
Interest income	(3,097)	(5,826)	(1,818)
Other expense (income), net	116	411	(247)
Income (loss) before income taxes	57,535	(71,776)	83,637
Provision for income taxes	12,146	7,451	18,778
Net income (loss) from continuing operations	45,389	(79,227)	64,859
Net loss from discontinued operations	(34,594)	(113,427)	(7,262)
Net income (loss)	\$ 10,795	\$ (192,654)	\$ 57,597
Per share data:			
Net income (loss) from continuing operations per common share, basic	\$ 1.79	\$ (3.12)	\$ 2.53
Net loss from discontinued operations per common share, basic	(1.36)	(4.47)	(0.28)
Net income (loss) per common share, basic	\$ 0.42	\$ (7.59)	\$ 2.25
Weighted-average shares outstanding, basic	25,423	25,378	25,642
Net income (loss) from continuing operations per common share, diluted	\$ 1.78	\$ (3.12)	\$ 2.52
Net loss from discontinued operations per common share, diluted	(1.36)	(4.47)	(0.28)
Net income (loss) per common share, diluted	\$ 0.42	\$ (7.59)	\$ 2.24
Weighted-average shares outstanding, diluted	25,518	25,378	25,734

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
Years Ended June 30, 2021, 2020 and 2019
(in thousands)

	2021	2020	2019
Net income (loss)	\$ 10,795	\$ (192,654)	\$ 57,597
Unrealized gain (loss) on hedged transaction, net of tax	2,249	(4,646)	(3,277)
Foreign currency translation adjustment	20,778	(38,061)	(2,634)
Realized foreign currency loss from discontinued operations	11,635	—	—
Comprehensive income (loss)	<u>\$ 45,457</u>	<u>\$ (235,361)</u>	<u>\$ 51,686</u>

See accompanying notes to these consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
Years Ended June 30, 2021, 2020 and 2019
(in thousands, except share information)

	Common Stock (Shares)	Common Stock (Amount)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2018	25,593,122	\$ 68,220	\$ 882,333	\$ (84,177)	\$ 866,376
Net income	—	—	57,597	—	57,597
Unrealized loss on hedged transaction, net of tax	—	—	—	(3,277)	(3,277)
Foreign currency translation adjustment	—	—	—	(2,634)	(2,634)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	139,107	103	—	—	103
Common stock repurchased	(323,832)	(10,129)	—	—	(10,129)
Share-based compensation	—	6,093	—	—	6,093
Balance at June 30, 2019	25,408,397	64,287	939,930	(90,088)	914,129
Net loss	—	—	(192,654)	—	(192,654)
Unrealized loss on hedged transaction, net of tax	—	—	—	(4,646)	(4,646)
Foreign currency translation adjustment	—	—	—	(38,061)	(38,061)
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	120,969	(599)	—	—	(599)
Common stock repurchased	(168,068)	(5,432)	—	—	(5,432)
Share-based compensation	—	5,509	—	—	5,509
Balance at June 30, 2020	25,361,298	63,765	747,276	(132,795)	678,246
Net income	—	—	10,795	—	10,795
Unrealized gain on hedged transaction, net of tax	—	—	—	2,249	2,249
Foreign currency translation adjustment	—	—	—	20,778	20,778
Realized foreign currency loss from discontinued operations	—	—	—	11,635	11,635
Exercise of stock options and shares issued under share-based compensation plans, net of shares withheld for employee taxes	138,167	(585)	—	—	(585)
Share-based compensation	—	8,073	—	—	8,073
Balance at June 30, 2021	25,499,465	\$ 71,253	\$ 758,071	\$ (98,133)	\$ 731,191

See accompanying notes to consolidated financial statements.

ScanSource, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2021, 2020 and 2019
(in thousands)

	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	\$ 10,795	\$ (192,654)	\$ 57,597
Net loss from discontinued operations	(34,594)	(113,427)	(7,262)
Net income (loss) from continuing operations	45,389	(79,227)	64,859
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	33,507	35,328	33,652
Amortization of debt issue costs	417	417	350
Provision for doubtful accounts	338	1,621	1,712
Share-based compensation	8,039	5,478	6,045
Impairment charges	—	120,470	—
Deferred income taxes	2,916	(12,193)	(2,757)
Change in fair value of contingent consideration	516	6,941	15,200
Contingent consideration payments excess	(5,457)	(3,050)	(10,190)
Finance lease interest	119	85	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(118,859)	57,477	(5,490)
Inventories	(12,301)	86,177	(85,862)
Prepaid expenses and other assets	(18,753)	(13,880)	(10,091)
Other non-current assets	9,948	(13,563)	(2,438)
Accounts payable	175,120	(20,846)	16,134
Accrued expenses and other liabilities	(493)	11,239	2,377
Income taxes payable	(3,679)	(441)	(7,469)
Net cash provided by operating activities of continuing operations	116,767	182,033	16,032
Cash flows from investing activities of continuing operations:			
Capital expenditures	(2,363)	(6,387)	(5,797)
Cash paid for business acquisitions, net of cash acquired	—	(48,921)	(32,161)
Cash received for business disposal	34,356	—	—
Net cash provided by (used in) investing activities of continuing operations	31,993	(55,308)	(37,958)
Cash flows from financing activities of continuing operations:			
Borrowings on revolving credit, net of expenses	1,881,679	2,085,918	2,061,090
Repayments on revolving credit, net of expenses	(1,949,392)	(2,190,595)	(2,132,702)
Borrowings on long-term debt, net	(7,839)	(4,085)	149,670
Repayments of finance lease obligations	(1,294)	(1,765)	(662)
Debt issuance costs	—	—	(1,096)
Contingent consideration payments	(41,393)	(35,482)	(35,606)
Exercise of stock options	451	754	1,509
Taxes paid on settlement of equity awards	(1,036)	(1,353)	(1,406)
Repurchase of common stock	—	(6,078)	(9,483)
Net cash (used in) provided by financing activities of continuing operations	(118,824)	(152,686)	31,314

	2021	2020	2019
	<i>(continued)</i>		
Cash flows from discontinued operations:			
Net cash flows provided by (used in) operating activities of discontinued operations	24,173	44,238	(43,159)
Net cash flows used in investing activities of discontinued operations	(58)	(77)	(1,416)
Net cash flows (used in) provided by financing activities of discontinued operations	(29,494)	(3,921)	32,917
Net cash flows (used in) provided by discontinued operations	(5,379)	40,240	(11,658)
Effect of exchange rate changes on cash and cash equivalents	3,706	(3,642)	558
Increase (decrease) in cash and cash equivalents	28,263	10,637	(1,712)
Cash and cash equivalents at beginning of period	34,455	23,818	25,530
Cash and cash equivalents at end of period	62,718	34,455	23,818
Cash and cash equivalents of discontinued operations	—	4,970	4,513
Cash and cash equivalents of continuing operations	\$ 62,718	\$ 29,485	\$ 19,305
Supplemental disclosure of consolidated cash flow information:			
Interest paid during the year	\$ 6,412	\$ 11,959	\$ 13,162
Income taxes paid during the year	\$ 12,002	\$ 16,869	\$ 30,610

See accompanying notes to consolidated financial statements.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 2021

(1) Business and Summary of Significant Accounting Policies

Business Description

ScanSource, Inc. (together with its subsidiaries referred to as “the Company” or “ScanSource”) is at the center of the solution delivery channel, connecting businesses and providing technology solutions. The Company brings technology solutions and services from leading suppliers of mobility and barcode, point-of-sale (POS), payments, physical security, unified communications and collaboration, and telecom and cloud services to market. The Company operates in the United States, Canada, Brazil, and the UK. During the quarter ended December 31, 2020, the Company completed the divestitures of its products distribution business in the UK, Europe, and Latin America, outside of Brazil (the "Divestitures"). See Note 19 - *Discontinued Operations* for more information regarding the Divestitures. The Company's two operating segments, Worldwide Barcode, Networking & Security and Worldwide Communications & Services, are based on product, customer, and service type.

COVID-19

The spread of COVID-19 since December 2019 has resulted in the implementation of numerous measures to contain the virus worldwide, such as travel bans and restrictions, quarantines, shelter-in-place orders, business shutdowns, and limitations of in-person gatherings. The Company moved quickly to transition our employees, where possible, to a fully remote working environment. The Company also deployed teams to monitor the evolving situation and recommend risk mitigation actions; The Company is following guidance from authorities and health officials, including implementing travel restrictions and requiring employees to adhere physical distancing protocols. All of the Company's distribution facilities have remained open and operational throughout the pandemic.

The pandemic and these containment measures have had an impact on our business, suppliers' businesses and sales partners' businesses. The negative impacts to net sales from the pandemic, including declines in customer demand and supply chain disruptions, were most pronounced during the fourth quarter of fiscal year 2020, and have since recovered throughout fiscal year 2021. While we are unable to predict the ultimate impact that COVID-19 will have on our business, certain technologies have benefited from the widespread adoption of work-from-home, as well as the accelerated shift to digitize and automate processes. We are also incurring higher employee related healthcare and prevention costs as a result of the pandemic. The Company has made adjustments, including implementing an annualized expense reduction plan in fiscal year 2021. For further discussion on the potential future impacts of COVID-19, see the Risk Factors presented in Part I, Item 1A.

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All inter-company accounts and transactions have been eliminated.

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

Related Party Transactions

A related party is generally defined as (i) any person that holds 10% or more of the Company's securities and their immediate families, (ii) the Company's management, (iii) someone that directly or indirectly controls, is controlled by or is under common control with the Company or (iv) anyone who can significantly influence the financial and operating decisions of the Company. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. There were no material related party transactions for the fiscal years ended June 30, 2021, 2020 and 2019.

Use of Estimates

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

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

(a) Allowances for Trade and Notes Receivable

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

Management determines the estimate of the allowance for uncollectible accounts receivable by considering a number of factors, including: (i) historical experience, (ii) aging of the accounts receivable, (iii) specific information obtained by the Company on the financial condition and the current creditworthiness of its customers, (iv) the current economic and country-specific environment and (v) reasonable and supportable forecasts about collectability. If the financial condition of the Company's customers were to deteriorate and reduce the ability of the Company's customers to make payments on their accounts, the Company may be required to increase its allowance by recording additional bad debt expense. Likewise, should the financial condition of the Company's customers improve and result in payments or settlements of previously reserved amounts, the Company may be required to record a reduction in bad debt expense to reverse the recorded allowance.

(b) Inventory Reserves

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

(c) Purchase Price Allocations

The Company accounts for business combinations in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*. For each acquisition, the Company allocates the purchase price to assets acquired, liabilities assumed and goodwill and intangibles. The Company recognizes assets and liabilities acquired at their estimated fair values. Management uses judgment to (i) identify the acquired assets and liabilities assumed, (ii) estimate the fair value of these assets, (iii) estimate the useful life of the assets and (iv) assess the appropriate method for recognizing depreciation or amortization expense over the assets' useful life. See Note 7 - *Acquisitions* for further discussion of the Company's business combinations.

(d) Goodwill and Intangible Asset Fair Value

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

(e) Supplier Incentives

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents. The Company maintains zero-balance disbursement accounts at various financial institutions at which the Company does not maintain significant depository relationships. Due to the terms of the agreements governing these accounts, the Company generally does not have the right to offset outstanding checks written from these accounts against cash on hand, and the respective institutions are not legally obligated to honor the checks until sufficient funds are transferred to fund the checks. As a result, checks released but not yet cleared from these accounts in the amounts of \$14.3 million and \$17.1 million are classified as accounts payable as of June 30, 2021 and 2020, respectively.

The Company maintains its cash with various financial institutions globally that are monitored regularly for credit quality, although it may hold amounts in excess of Federal Deposit Insurance Corporation ("FDIC") or other insured limits. Cash and cash equivalents held outside of the United States for continuing operations totaled \$52.1 million and \$23.6 million as of June 30, 2021 and 2020, respectively.

Concentration of Credit Risk

The Company sells to a large base of customers throughout the United States, Canada, Brazil and the UK. The Company performs ongoing credit evaluations of its customers' financial condition. In certain cases, the Company will accept tangible assets as collateral to increase the trade credit of its customers. Sales to individual customers were less than 10% of the Company's net sales for fiscal years 2021, 2020 and 2019.

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

Derivative Financial Instruments

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

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

The Company's earnings are affected by changes in interest rates due to the impact those changes have on interest expense from floating rate debt instruments. To manage the exposure, the Company has an interest rate swap agreement and has designated this instrument as a hedge of the cash flows on certain variable rate debt. To the extent the derivative instrument was effective in offsetting the variability of the hedged cash flows, changes in the fair value of the derivative instrument were not included in current earnings, but were reported as other comprehensive income (loss). There was no ineffective portion recorded as an adjustment to earnings for the years ended June 30, 2021 and 2020.

Investments

The Company has investments that are held in a grantor trust formed by the Company related to the ScanSource, Inc. Nonqualified Deferred Compensation Plan and founder's Supplemental Executive Retirement Plan. The Company has classified these investments as trading securities, and they are recorded at fair value with unrealized gains and losses included in the accompanying Consolidated Income Statements. The Company's obligations under this deferred compensation plan change in concert with the performance of the investments along with contributions to and withdrawals from the plan. The fair value of these investments and the corresponding deferred compensation obligation was \$31.2 million and \$27.2 million as of June 30, 2021 and June 30, 2020, respectively. These investments are classified as either prepaid expenses and current assets or other non-current assets in the Consolidated Balance Sheets depending on the timing of planned disbursements. The deferred compensation obligation is classified either within accrued expenses and other current liabilities or other long-term liabilities as well. The amounts of these investments classified as current assets with corresponding current liabilities were \$4.9 million and \$2.6 million at June 30, 2021 and June 30, 2020, respectively.

Inventories

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

Supplier Programs

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

Supplier Concentration

The Company sells products from many suppliers; however, sales of products supplied by Cisco and Zebra each constituted more than 10% of the Company's net sales for the year ended June 30, 2021, 2020, and 2019.

Product Warranty

The Company's suppliers generally provide a warranty on the products provided by the Company and allow the Company to return defective products, including those that have been returned to the Company by its customers. In three of its product lines, the Company offers a self-branded warranty program, in which management has determined that the Company is the primary obligor. The Company purchases contracts from unrelated third parties, generally the original equipment manufacturers, to fulfill any obligation to service or replace defective product claimed on these warranty programs. As a result, the Company has not recorded a provision for estimated service warranty costs. To maintain customer relations, the Company facilitates returns of defective products from the Company's customers by accepting for exchange, with the Company's prior approval, most defective products within 30 days of invoicing.

Property and Equipment

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

Capitalized Software

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

Goodwill

The Company accounts for recorded goodwill in accordance with ASC 350, *Goodwill and Other Intangible Assets*, which requires that goodwill be reviewed annually for impairment or more frequently if impairment indicators exist. Goodwill testing utilizes an impairment analysis, whereby the Company compares the carrying value of each identified reporting unit to its fair value. The Company's goodwill reporting units align directly with its operating segments, Worldwide Barcode, Networking & Security and Worldwide Communications & Services. The fair values of the reporting units are estimated using the net present value of discounted cash flows generated by each reporting unit. Considerable judgment is necessary in estimating future cash flows, discount rates and other factors affecting the estimated fair value of the reporting units, including operating and

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

macroeconomic factors. Historical financial information, internal plans and projections and industry information are used in making such estimates.

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

- Industry weighted-average cost of capital ("WACC"): The Company utilized a WACC relative to each reporting unit's respective geography and industry as the discount rate for estimated future cash flows. The WACC is intended to represent a rate of return that would be expected by a market participant in each respective geography.
- Operating income: The Company utilized historical and expected revenue growth rates, gross margins and operating expense percentages, as well as the expected impact of COVID-19 and the Company's annualized expense reduction plan, which varied based on the projections of each reporting unit being evaluated.
- Other cash flow adjustments: The Company utilized a projected cash flow impact pertaining to depreciation, capital expenditures and expected changes in working capital as each of its goodwill reporting units grow.

No goodwill impairment charges were recognized for the fiscal years ended June 30, 2021 and 2019. Goodwill impairment charges totaled \$119.0 million for the Worldwide Barcode, Networking and Security segment reporting units for the fiscal year ended June 30, 2020 and are included in the impairment charges line item in the Consolidated Income Statements. See Note 8 - *Goodwill and Other Identifiable Intangible Assets* for more information regarding goodwill and the results of our testing.

Intangible Assets

Intangible assets consist of customer relationships, trade names, distributor agreements, supplier partner programs, developed technology, non-compete agreements and an encryption key library. Customer relationships, trade names, supplier partner programs, developed technology and the encryption key library are amortized using the straight-line method over their estimated useful lives, which range from 3 to 19 years. Non-compete agreements are amortized over their contract life.

These assets are shown in detail in Note 8 - *Goodwill and Other Identifiable Intangible Assets*.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset or asset group may not be recoverable. Tests for recoverability of a long-lived asset to be held and used are measured by comparing the carrying amount of the long-lived asset to the sum of the estimated future undiscounted cash flows expected to be generated by the asset. In estimating the future undiscounted cash flows, the Company uses projections of cash flows directly associated with, and which are expected to arise as a direct result of, the use and eventual disposition of the assets. If it is determined that a long-lived asset is not recoverable, an impairment loss would be calculated equal to the excess of the carrying amount of the long-lived asset over its fair value. No intangible asset or other long-lived asset impairment charges were recognized for the fiscal years ended June 30, 2021 and 2019. Intangible asset impairment charges totaled \$1.4 million for our continuing operations for the fiscal year ended June 30, 2020 and are included in the impairment charges line item in the Consolidated Income Statements. See Note 8 - *Goodwill and Other Identifiable Intangible Assets* for more information regarding intangible asset impairment charges.

Fair Value of Financial Instruments

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

The fair value of financial instruments is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying values of financial instruments such as accounts receivable, accounts payable, accrued liabilities, borrowings under the revolving credit facility and subsidiary lines of credit approximate fair value based upon either short maturities or variable interest rates of these instruments. For additional information related to the fair value of derivatives, please see Note 11 - *Fair Value of Financial Instruments*.

Liability for Contingent Consideration

In addition to the initial cash consideration paid to former shareholders of Intelisys and Network1, the Company agreed to make additional earnout payments based on future results through a specified date based on a multiple of the subsidiary's pro forma earnings as defined in the respective purchase agreements. Future payments are to be paid in the functional currency of the acquired entity. The Company paid the final earnout payment to the former shareholders of Intelisys during fiscal year 2021. The Company also paid the final earnout payment to the former shareholders of Network1 during fiscal year 2019.

Contingencies

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

Revenue Recognition

The Company accounts for revenue in accordance with ASC 606, *Revenue from Contracts with Customers*. In determining the appropriate amount of revenue to recognize, the Company applies the following five-step model: (i) identify contracts with customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company recognizes revenue as control of products and services are transferred to customers, which is generally at the point of shipment. The Company delivers products to customers in several ways, including: (i) shipment from the Company's warehouse, (ii) drop-shipment directly from the supplier, or (iii) electronic delivery for software licenses. For more detailed disclosures on the Company's revenue recognition policies, see Note 3 - *Revenue Recognition*.

Advertising Costs

The Company defers advertising-related costs until the advertising is first run in trade or other publications or, in the case of brochures, until the brochures are printed and available for distribution or posted online. Advertising costs, net of supplier reimbursement, are included in selling, general and administrative expenses and were not significant in any of the three fiscal years ended June 30, 2021, 2020 and 2019. Deferred advertising costs for each of these three fiscal years were also not significant.

Foreign Currency

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

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes reflect tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts. In accordance with

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

ASC 740, *Accounting for Income Taxes*, valuation allowances are provided against deferred tax assets when it is more likely than not that an asset will not be realized. Additionally, the Company maintains reserves for uncertain tax provisions. See Note 14 - *Income Taxes* for further discussion and the impact of the Tax Cut and Jobs Act (the "Tax Act") enacted by the U.S. government on December 22, 2017.

Share-Based Payments

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

Common stock repurchases

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

Comprehensive Income

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842) requiring lessees to reflect most leases on their balance sheets and recognize expenses on their income statements in a manner similar to current guidance. Under the new guidance, lessees are required to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The asset is measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs. For leases with a lease term of 12 months or less, as long as the lease does not include options to purchase the underlying assets, lessees can elect not to recognize a lease liability and right-of-use asset. Under the new guidance, lessor accounting is largely unchanged, and the accounting for sale and leaseback transactions is simplified. This ASU was effective for the Company beginning in the first quarter of fiscal 2020. Entities are required to use the modified retrospective approach of adoption, with the option of applying the requirements of the standard either (1) retrospectively to each prior comparative reporting period presented or (2) retrospectively at the beginning of the period of adoption. The Company adopted the standard on July 1, 2019 and applied it at the beginning of the period of adoption. Therefore, upon adoption, financial information and disclosures are not updated for comparative reporting periods under the new standard. Additionally, the Company has elected the transition package of practical expedients upon adoption which, among other things, allows an entity to not reassess the historical lease classification. Upon adoption, the Company recognized right-of-use assets and corresponding lease liabilities for both operating and finance leases of approximately \$37 million on the Condensed Consolidated Balance Sheets. The adoption of this standard was not material to the Company's Condensed Consolidated Income Statements. See Note 14 - *Leases* for additional lease disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* (Topic 326). In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326: Financial Instruments - Credit Losses*, which provides

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

supplemental guidance and clarification to ASU 2016-13 and must be adopted concurrently. The pronouncement revises the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The Company adopted this standard effective July 1, 2020, and it did not have a material impact on the Company's consolidated financial statements. See Note 2 - *Trade Accounts and Notes Receivable* for disclosures related to the adoption of ASU 2016-13.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (ASC Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement. The pronouncement eliminates, modifies and adds disclosure requirements for fair value measurements. This guidance is effective for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years, with early adoption permitted. The Company adopted this standard effective July 1, 2020, and it had no impact on the Company's consolidated financial statements.

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

(2) Trade Accounts and Notes Receivable, Net

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

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

The changes in the allowance for doubtful accounts for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019 are set forth in the tables below.

Description	Balance at Beginning of Period	Amounts Charged to Expense	Write-offs	Other ⁽¹⁾	Balance at End of Period
Allowance for bad debt:					
Year ended June 30, 2019	\$ 33,843	1,712	(9,005)	971	\$ 27,521
Trade and current note receivable allowance					\$ 27,521
Year ended June 30, 2020	\$ 27,521	1,621	(5,176)	(2,060)	\$ 21,906
Trade and current note receivable allowance					\$ 21,906
Year ended June 30, 2021	\$ 21,906	338	(4,556)	1,653	\$ 19,341
Trade and current note receivable allowance					\$ 19,341

(1) "Other" amounts include recoveries and the effect of foreign currency fluctuations for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

(3) Revenue Recognition

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

Significant Judgments:

Principal versus Agent Considerations

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

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

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

Variable Considerations

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

Contract Balances

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

Practical Expedients & Accounting Policy Elections

- *Incremental costs of obtaining a contract* - These costs are included in selling, general and administrative expenses as the amortization period is generally one year or less. The Company expenses costs associated with obtaining and fulfilling contracts as incurred.
- *Shipping costs* - The Company accounts for certain shipping and handling activities as fulfillment costs and expenses them as incurred.
- *Significant financing components* - The Company has elected not to adjust the promised amount of consideration for the effects of a significant financing component as the Company expects, at contract inception, that the period between

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will generally be one year or less.

- *Sales tax and other related taxes* - Sales and other tax amounts collected from customers for remittance to governmental authorities are excluded from revenue.

Disaggregation of Revenue

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

	Fiscal year ended June 30, 2021		
	<i>(in thousands)</i>		
	Worldwide Barcode, Networking & Security Segment	Worldwide Communications & Services Segment	Total
Revenue by product/service:			
Technology solutions	\$ 2,175,141	\$ 910,722	\$ 3,085,863
Intelisys	—	64,943	64,943
	\$ 2,175,141	\$ 975,665	\$ 3,150,806

	Fiscal year ended June 30, 2020		
	<i>(in thousands)</i>		
	Worldwide Barcode, Networking & Security Segment	Worldwide Communications & Services Segment	Total
Revenue by product/service:			
Technology solutions	\$ 2,093,217	\$ 897,096	\$ 2,990,313
Intelisys	—	57,421	57,421
	\$ 2,093,217	\$ 954,517	\$ 3,047,734

	Fiscal year ended June 30, 2019		
	<i>(in thousands)</i>		
	Worldwide Barcode, Networking & Security Segment	Worldwide Communications & Services Segment	Total
Revenue by product/service:			
Technology solutions	\$ 2,141,896	\$ 1,058,176	\$ 3,200,072
Intelisys	—	49,727	49,727
	\$ 2,141,896	\$ 1,107,903	\$ 3,249,799

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

(4) Earnings per Share

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

	Fiscal year ended June 30,		
	2021	2020	2019
	<i>(in thousands, except per share data)</i>		
Numerator:			
Net income (loss) from continuing operations	\$ 45,389	\$ (79,227)	\$ 64,859
Net loss from discontinued operations	(34,594)	(113,427)	(7,262)
Net income (loss)	\$ 10,795	\$ (192,654)	\$ 57,597
Denominator:			
Weighted-average shares, basic	25,423	25,378	25,642
Dilutive effect of share-based payments	95	—	92
Weighted-average shares, diluted ⁽¹⁾	25,518	25,378	25,734
Net income (loss) from continuing operations per common share, basic	\$ 1.79	\$ (3.12)	\$ 2.53
Net loss from discontinued operations per common share, basic	(1.36)	(4.47)	(0.28)
Net income (loss) per common share, basic	\$ 0.42	\$ (7.59)	\$ 2.25
Net income (loss) from continuing operations per common share, diluted	\$ 1.78	\$ (3.12)	\$ 2.52
Net loss from discontinued operations per common share, diluted	(1.36)	(4.47)	(0.28)
Net income (loss) per common share, diluted	\$ 0.42	\$ (7.59)	\$ 2.24

⁽¹⁾ The Company calculates weighted average shares of common stock in accordance with *ASC 260, Earnings per Share*. The Company's diluted weighted average shares for the year ended June 30, 2020 are the same as basic weighted average shares due to net loss from continuing operations.

For the years ended June 30, 2021, 2020 and 2019, weighted-average shares outstanding excluded from the computation of diluted earnings per share because their effect would have been antidilutive were 1,297,214, 1,040,226 and 582,856, respectively.

(5) Property and Equipment

Property and equipment is comprised of the following:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	June 30,	
	2021	2020
	<i>(in thousands)</i>	
Land	\$ 3,319	\$ 3,331
Buildings and leasehold improvements	20,947	21,791
Computer software and equipment	74,432	75,008
Furniture, fixtures and equipment	15,359	17,775
Construction in progress	123	476
Rental equipment	9,379	10,207
	<u>123,559</u>	<u>128,588</u>
Less accumulated depreciation	<u>(80,723)</u>	<u>(72,947)</u>
	<u>\$ 42,836</u>	<u>\$ 55,641</u>

Depreciation expense recorded as selling, general and administrative costs in the accompanying Consolidated Income Statements was \$12.5 million, \$13.0 million and \$12.0 million for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. Depreciation expense recorded as cost of goods sold in the accompanying Consolidated Income Statements was \$1.5 million, \$2.3 million and \$3.7 million for the fiscal years ended June 30, 2021, 2020 and 2019, respectively.

(6) Other Assets and Liabilities, Current

The table below details prepaid expenses and other current assets.

	June 30,	
	2021	2020
	<i>(in thousands)</i>	
Other receivables	\$ 73,113	\$ 56,266
Prepaid expense	23,641	16,660
Other taxes receivable	9,473	5,258
Other current assets	11,633	16,497
	<u>\$ 117,860</u>	<u>\$ 94,681</u>

The table below details accrued expenses and other current liabilities.

	June 30,	
	2021	2020
	<i>(in thousands)</i>	
Deferred warranty revenue	\$ 9,752	\$ 12,101
Accrued compensation	27,340	13,616
Other taxes payable	15,183	15,756
Accrued marketing expense	5,536	5,667
Accrued freight	3,528	2,886
Short-term operating lease liability	4,284	4,476
Other accrued liabilities	22,167	22,184
	<u>\$ 87,790</u>	<u>\$ 76,686</u>

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

The table below details other long-term liabilities.

	June 30,	
	2021	2020
	<i>(in thousands)</i>	
Long-term deferred warranty revenue	\$ 2,958	\$ 4,031
Long-term deferred compensation liability	26,229	24,572
Interest rate swap	6,280	9,433
Long-term income taxes payable	5,971	6,674
Long-term operating lease liability	16,550	20,760
Other long-term liabilities	10,281	14,598
	<u>\$ 68,269</u>	<u>\$ 80,068</u>

(7) Acquisitions

intY

On July 1, 2019, the Company acquired all of the outstanding shares of intY and its CASCADE cloud services distribution platform. The purchase price of this acquisition, net of cash acquired, was approximately \$48.9 million. The purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the transaction date. Intangible assets acquired include trade names, customer relationships, and developed technology. Goodwill recognized on this acquisition is not deductible for tax purposes. See Note 8 - *Goodwill and Other Identifiable Intangible Assets* for the amounts of goodwill and intangible assets recognized in connection with this acquisition. The impact of this acquisition was not material to the consolidated financial statements. The Company recognized \$0.3 million for each of the fiscal years ended June 30, 2020 and 2019 in acquisition-related costs included in selling, general and administrative expenses on the Condensed Consolidated Income Statements in connection with this acquisition. This acquisition is included in the Worldwide Communications & Services segment.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

(8) Goodwill and Other Identifiable Intangible Assets

In accordance with ASC 350, *Intangibles - Goodwill and Other Intangible Assets*, the Company performs its annual goodwill impairment test during the fourth quarter of each fiscal year, or whenever indicators of impairment are present. The reporting units utilized for goodwill impairment tests align directly with our operating segments, Worldwide Barcode, Networking & Security and Worldwide Communications & Services. The testing includes the determination of each reporting unit's fair value using a discounted cash flows model compared to each reporting unit's carrying value. Key assumptions used in determining fair value include projected growth and operating margin, working capital requirements and discount rates. During fiscal years ended June 30, 2021 and 2019, no impairment charges related to goodwill were recorded. For the fiscal year ended June 30, 2020, the Company's projected growth and operating margins were impacted by the worldwide economic hardships created by COVID-19 and as such recognized a goodwill impairment charge of \$119.0 million for our Worldwide, Barcode, Networking and Security reporting unit, which is recorded to the impairment charges line item in the Consolidated Income Statements.

Changes in the carrying amount of goodwill for the years ended June 30, 2021 and 2020, by reportable segment, are set forth in the table below. Additions to goodwill for fiscal year 2020 are due to the recent acquisitions.

	Worldwide Barcode, Networking & Security Segment	Worldwide Communications & Services Segment	Total
	<i>(in thousands)</i>		
Balance at June 30, 2019	\$ 135,965	\$ 174,750	\$ 310,715
Additions	—	30,445	30,445
Goodwill impairment charges	(119,037)	—	(119,037)
Unrealized loss on foreign currency translation	(558)	(7,277)	(7,835)
Balance at June 30, 2020	\$ 16,370	\$ 197,918	\$ 214,288
Unrealized gain on foreign currency translation	—	4,589	4,589
Balance at June 30, 2021	<u>\$ 16,370</u>	<u>\$ 202,507</u>	<u>\$ 218,877</u>

The following table shows the Company's identifiable intangible assets as of June 30, 2021 and 2020, respectively.

	June 30, 2021			June 30, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	<i>(in thousands)</i>					
Amortized intangible assets:						
Customer relationships	\$ 139,262	\$ 68,716	\$ 70,546	\$ 137,146	\$ 56,107	\$ 81,039
Trade names	19,750	10,102	9,648	19,509	7,617	11,892
Non-compete agreements	2,410	2,271	139	2,410	1,711	699
Supplier partner program	4,085	1,621	2,464	4,085	1,191	2,894
Encryption key library	19,900	9,743	10,157	19,900	7,255	12,645
Developed technology	15,165	3,259	11,906	14,004	1,626	12,378
Total intangibles	<u>\$ 200,572</u>	<u>\$ 95,712</u>	<u>\$ 104,860</u>	<u>\$ 197,054</u>	<u>\$ 75,507</u>	<u>\$ 121,547</u>

During fiscal year 2020, the Company acquired customer relationships, trade names and developed technology related to the acquisition of intY. Also during fiscal year 2020, the Company recorded \$1.4 million in impairment charges in customer relationships, trade names and non-compete agreements related to the acquisition of Canpango. This charge is included in the impairment charges line item in the Consolidated Income Statements. The Company also disposed of fully amortized trade names and non-compete agreements from prior acquisitions. No impairment charges were recognized in fiscal years ended June 30, 2021 and June 30, 2019.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

The weighted-average amortization period for all intangible assets was approximately 10 years for the year ended June 30, 2021, compared to 10 years for the year ended June 30, 2020 and 9 years for the year ended June 30, 2019. Amortization expense for continuing operations for the years ended June 30, 2021, 2020 and 2019 was \$19.5 million, \$20.0 million and \$17.9 million, respectively, all of which relates to selling, general and administrative costs, not the cost of selling goods, and has been presented as such in the accompanying Consolidated Income Statements.

Estimated future amortization expense is as follows:

Year Ended June 30,	Amortization Expense	
	<i>(in thousands)</i>	
2022	\$	17,962
2023		17,021
2024		16,917
2025		16,917
2026		13,032
Thereafter		23,011
Total	\$	104,860

(9) Short Term Borrowings and Long Term Debt

The following table shows the Company's short-term and long-term debt as of June 30, 2021 and 2020, respectively.

	June 30,	
	2021	2020
	<i>(in thousands)</i>	
Current portion of long-term debt	\$ 7,843	\$ 7,839
Mississippi revenue bond, net of current portion	4,081	4,425
Senior secured term loan facility, net of current portion	131,250	138,750
Borrowings under revolving credit facility ^(a)	—	67,714
Total debt	\$ 143,174	\$ 218,728

(a) Borrowing under the revolving credit facility classified as held for sale in the Consolidated Balance Sheets for our discontinued operations totaled \$24.7 million for the fiscal year ended June 30, 2020.

Credit Facility

The Company has a multi-currency senior secured credit facility with JPMorgan Chase Bank N.A., as administrative agent, and a syndicate of banks. On April 30, 2019, the Company amended this credit facility to expand the borrowing capacity and extend its maturity to April 30, 2024. The Amended Credit Agreement includes (i) a five-year \$350 million multi-currency senior secured revolving credit facility and (ii) a five-year \$150 million senior secured term loan facility. Pursuant to an "accordion feature," the Company may increase its borrowings up to an additional \$250 million for a total of up to \$750 million, subject to obtaining additional credit commitments from the lenders participating in the increase. The Amended Credit Agreement allows for the issuance of up to \$50 million for letters of credit, subject to obtaining additional credit commitments from the lenders participating in the increase. The Company incurred debt issuance costs of \$1.1 million in connection with the amendments to the Amended Credit Agreement on April 30, 2019. These costs were capitalized to other non-current assets on the Consolidated Balance Sheets and added to the unamortized debt issuance costs from the previous credit facility.

At the Company's option, loans denominated in U.S. dollars under the Amended Credit Agreement, other than swingline loans, bear interest at a rate equal to a spread over the LIBOR or alternate base rate depending upon the Company's net leverage ratio, calculated as total debt less up to \$15 million of unrestricted domestic cash ("Credit Facility Net Debt") to trailing four-quarter adjusted earnings before interest expense, taxes, depreciation and amortization ("Credit Facility EBITDA") (the "Leverage

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

Ratio"). This spread ranges from 1.00% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for alternate base rate loans. Additionally, the Company is charged commitment fees ranging from 0.15% to 0.30%, depending upon the Leverage Ratio, on non-utilized borrowing availability, excluding swingline loans. The Amended Credit Agreement provides for the substitution of a new interest rate benchmark upon the transition from LIBOR, subject to agreement between the Company and the administrative agent. Borrowings under the Amended Credit Agreement are secured by substantially all of the domestic assets of the Company and a pledge of up to 65% of capital stock or other equity interest in certain foreign subsidiaries determined to be either material or a subsidiary borrower as defined in the Amended Credit Agreement. Under the terms of the revolving credit facility, the payment of cash dividends is restricted.

The spread in effect as of June 30, 2021 was 1.50% for LIBOR-based loans and 0.50% for alternate base rate loans. The commitment fee rate in effect as of June 30, 2021 was 0.25%. The Amended Credit Agreement includes customary representations, warranties, and affirmative and negative covenants, including financial covenants. Specifically, the Company's Leverage Ratio must be less than or equal to 3.50 to 1.00 at all times. In addition, the Company's Interest Coverage Ratio (as such term is defined in the Amended Credit Agreement) must be at least 3.00 to 1.00 as of the end of each fiscal quarter. In the event of a default, customary remedies are available to the lenders, including acceleration and increased interest rates. The Company was in compliance with all covenants under the Amended Credit Agreement as of June 30, 2021.

Including borrowings for both continuing and discontinued operations, the average daily balance on the revolving credit facility, excluding the term loan facility, during the fiscal years ended June 30, 2021 and 2020 was \$54.6 million and \$235.4 million, respectively. Taking into consideration outstanding borrowings on the multi-currency revolving credit facility for both continuing and discontinued operations, there was \$350.0 million and \$257.3 million available for additional borrowings as of June 30, 2021 and 2020, respectively. At June 30, 2021, based upon the Leverage Ratio calculations, there was \$281.6 million available for additional borrowings. There were no letters of credit issued under the multi-currency revolving credit facility as of June 30, 2021. There were letters of credit issued of \$0.3 million as of June 30, 2020.

Mississippi Revenue Bond

On August 1, 2007, the Company entered into an agreement with the State of Mississippi in order to provide financing for the acquisition and installation of certain equipment to be utilized at the Company's Southaven, Mississippi facility through the issuance of an industrial development revenue bond. The bond matures on September 1, 2032 and accrues interest at a rate equal to 30-day LIBOR plus a spread of 0.85%. The terms of the bond allow for payment of interest only for the first 10 years of the agreement and then, starting on September 1, 2018 through 2032, principal and interest payments are due until the maturity date or the redemption of the bond. The agreement also provides the bondholder with a put option, exercisable only within 180 days of each 5th anniversary of the agreement, requiring the Company to pay back the bonds at 100% of the principal amount outstanding. As of June 30, 2021, the Company was in compliance with all covenants under this bond. The interest rate at June 30, 2021 and 2020 was 0.94% and 1.03%, respectively.

Scheduled maturities of the Company's short-term borrowings, revolving credit facility from continuing operations and long-term debt at June 30, 2021 are as follows:

	Revolving Credit Facility	Term Loan Facility	Mississippi Bond
	<i>(in thousands)</i>		
Fiscal year:			
2022	\$ —	\$ 7,500	\$ 343
2023	—	11,250	348
2024	—	120,000	352
2025	—	—	357
2026	—	—	361
Thereafter	—	—	2,663
Total principal payments	<u>\$ —</u>	<u>\$ 138,750</u>	<u>\$ 4,424</u>

Debt Issuance Costs

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

As of June 30, 2021, net debt issuance costs associated with the credit facility and bonds totaled \$1.2 million and are being amortized on a straight-line basis through the maturity date of each respective debt instrument.

(10) Derivatives and Hedging Activities

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

Foreign Currency Derivatives – The Company conducts a portion of its business internationally in a variety of foreign currencies and is exposed to market risk for changes in foreign currency exchange rates. The Company attempts to hedge transaction exposures with natural offsets to the fullest extent possible and once these opportunities have been exhausted the Company uses currency options and forward contracts or other hedging instruments with third parties. These contracts will periodically hedge the exchange of various currencies, including the U.S. dollar, Brazilian real, British pound and Canadian dollar for continuing operations. See Note 1- *Business and Summary of Significant Accounting Policies* for more information regarding the Company's policy on derivative financial instruments.

The Company had contracts outstanding with notional amounts of \$27.9 million and \$16.6 million for the exchange of foreign currencies as of June 30, 2021 and 2020, respectively. To date, the Company has chosen not to designate these derivatives as hedging instruments, and accordingly, these instruments are adjusted to fair value through earnings in other income and expense. Summarized financial information related to these derivative contracts and changes in the underlying value of the foreign currency exposures are as follows:

	Fiscal year ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Net foreign exchange derivative contract losses (gains)	\$ 3,462	\$ (3,975)	\$ 235
Net foreign currency transactional and re-measurement (gains) losses	(2,617)	4,500	400
Net foreign currency losses	<u>\$ 845</u>	<u>\$ 525</u>	<u>\$ 635</u>

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

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

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Net interest expense (income) recognized as a result of interest rate swap	\$ 2,250	\$ 799	\$ (233)
Unrealized gain (loss) in fair value of interest swap rates	731	(6,900)	(4,159)
Net increase in accumulated other comprehensive income (loss)	2,981	(6,101)	(4,392)
Income tax effect	(732)	1,455	1,115
Net increase (decrease) in accumulated other comprehensive income, net of tax	\$ 2,249	\$ (4,646)	\$ (3,277)

The Company has the following derivative instruments for continuing operations located on the Consolidated Balance Sheets as of June 30, 2021, utilized for the risk management purposes detailed above:

		June 30, 2021	
Balance Sheet Location		Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments
<i>(in thousands)</i>			
Derivative assets:			
Foreign currency hedge	Other current assets	\$ 187	\$ —
Derivative liabilities:			
Foreign exchange contracts	Accrued expenses and other current liabilities	\$ —	\$ 5
Interest rate swap agreement	Other current liabilities	\$ 6,280	\$ —

The Company has the following derivative instruments located on the Consolidated Balance Sheets as of June 30, 2020, utilized for the risk management purposes detailed above:

		June 30, 2020	
Balance Sheet Location		Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments
<i>(in thousands)</i>			
Derivative liabilities:			
Foreign exchange contracts	Accrued expenses and other current liabilities	\$ —	\$ 26
Interest rate swap agreement	Other current liabilities	\$ 9,433	\$ —

(11) Fair Value of Financial Instruments

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

The assets and liabilities maintained by the Company that are required to be measured at fair value on a recurring basis include deferred compensation plan investments, forward foreign currency exchange contracts, interest rate swap agreements and contingent consideration owed to the previous owners of Intelisys. The carrying value of debt listed in Note 8 - *Short-Term Borrowings and Long Term Debt* is considered to approximate fair value, as the Company's debt instruments are indexed to a variable rate using the market approach (Level 2 criteria).

The following table summarizes the valuation of the Company's remaining assets and liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<i>(in thousands)</i>				
Assets:				
Deferred compensation plan investments, current and non-current portion	\$ 31,168	\$ 31,168	\$ —	\$ —
Foreign currency hedge	187	—	187	—
Total assets at fair value	<u>\$ 31,355</u>	<u>\$ 31,168</u>	<u>\$ 187</u>	<u>\$ —</u>
Liabilities:				
Deferred compensation plan investments, current and non-current portion	\$ 31,168	\$ 31,168	\$ —	\$ —
Forward foreign currency exchange contracts	5	—	5	—
Interest rate swap agreement	6,280	—	6,280	—
Total liabilities at fair value	<u>\$ 37,453</u>	<u>\$ 31,168</u>	<u>\$ 6,285</u>	<u>\$ —</u>

The following table presents assets and liabilities measured at fair value on a recurring basis as of June 30, 2020:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

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

Derivative instruments, such as foreign currency forward contracts, are measured using the market approach on a recurring basis considering foreign currency spot rates and forward rates quoted by banks or foreign currency dealers and interest rates quoted by banks (Level 2). Fair values of interest rate swaps are measured using standard valuation models with inputs that can be derived from observable market transactions, including LIBOR spot and forward rates (Level 2). Foreign currency contracts and interest rate swap agreements are classified in the Consolidated Balance Sheet as prepaid expenses and other current assets or accrued expenses and other current liabilities, depending on the respective instruments' favorable or unfavorable positions. See Note 10 - *Derivatives and Hedging Activities*.

The Company recorded contingent consideration liabilities at the acquisition date of Network1 and Intelisys representing the amounts payable to former shareholders, as outlined under the terms of the applicable purchase agreements, based upon the achievement of a projected earnings measure, net of specific pro forma adjustments. Network1 and Intelisys are part of the Company's Worldwide Communications & Services segment. The current and non-current portions of these obligations are reported separately on the Consolidated Balance Sheets. The fair value of the contingent considerations (Level 3) are determined using a form of a probability weighted discounted cash flow model. Subsequent changes in the fair value of the contingent consideration liabilities are recorded to the change in fair value of contingent consideration line item in the Consolidated Income Statements. Fluctuations due to foreign currency translation are captured in other comprehensive income through the changes in foreign currency translation adjustments line item as seen in Note 18 - *Accumulated Other Comprehensive (Loss) Income*.

The table below provides a summary of the changes in fair value of the Company's contingent considerations for the Intelisys earnout, which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the fiscal year ended June 30, 2021. The final earnout payment due to former shareholders of Intelisys was paid during the fiscal year ended June 30, 2021.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	June 30, 2021	
	Worldwide Communications & Services Segment	
	<i>(in thousands)</i>	
Fair value at beginning of period	\$	46,334
Payments		(46,850)
Change in fair value		516
Fair value at end of period	\$	—

The table below provides a summary of the changes in fair value of the Company's contingent consideration for the Network1 and Intelisys earnouts for the fiscal year ended June 30, 2020.

	June 30, 2020	
	Worldwide Communications & Services Segment	
	<i>(in thousands)</i>	
Fair value at beginning of period	\$	77,925
Payments		(38,532)
Change in fair value		6,941
Fair value at end of period	\$	46,334

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

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

A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. Valuation techniques and significant observable inputs used in recurring Level 3 fair value measurements for our contingent consideration liabilities as of June 30, 2021 and 2020 were as follows. The measurement period for the Intelisys earnout ended on June 30, 2020.

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

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

Intelisys

The final earnout payment was paid to the former shareholders of Intelisys during the fiscal year ended June 30, 2021. The expense from the change in fair value of the contingent consideration recognized in the Condensed Consolidated Income Statement totaled \$0.5 million for the fiscal year ended June 30, 2021. The change in fair value for the fiscal year is due to the recurring amortization of the unrecognized fair value discount.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

The fair value of the liability for the contingent consideration related to Intelisys recognized at June 30, 2020 was \$46.3 million, all of which is classified as current. The expense from the change in fair value of the contingent consideration recognized in the Condensed Consolidated Income Statements totaled \$6.9 million for the fiscal year ended June 30, 2020. The change in fair value for the fiscal year was primarily driven by the recurring amortization of the unrecognized fair value discount and a reduction in the discount rate.

Network1

The final earnout payment was paid to the former shareholders of Network1 during the fiscal year ended June 30, 2019. The change in fair value of the contingent consideration for the fiscal year ended June 30, 2019 recognized in the Condensed Consolidated Income Statements contributed a loss of \$2.5 million for agreed upon adjustments in the final payments.

(12) Share-Based Compensation

Share-Based Compensation Plans

The Company has awards outstanding from two share-based compensation plans (the 2002 Long-Term Incentive Plan and the 2013 Long-Term Incentive Plan). Awards are currently only being granted under the 2013 Long-Term Incentive Plan. As of June 30, 2021, there were 879,660 shares available for future grant under the 2013 Long-Term Incentive Plan. All of the Company's share-based compensation plans are shareholder approved, and it is the Company's belief that such awards align the interests of its employees and directors with those of its shareholders. Under the plans, the Company is authorized to award officers, employees, consultants and non-employee members of the Board of Directors various share-based payment awards, including options to purchase common stock and restricted stock. Restricted stock can be in the form of a restricted stock award ("RSA"), restricted stock unit ("RSU") or a performance unit ("PU"). An RSA is common stock that is subject to risk of forfeiture or other restrictions that lapse upon satisfaction of specified conditions. An RSU represents the right to receive shares of common stock in the future with the right to future delivery of the shares subject to risk of forfeiture or other restrictions that lapse upon satisfaction of specified conditions.

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

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Share-based compensation related to:			
Equity classified stock options	\$ 1,332	\$ 508	\$ 868
Equity classified restricted stock	6,707	4,970	5,177
Total share-based compensation	\$ 8,039	\$ 5,478	\$ 6,045

Stock Options

During the fiscal year ended June 30, 2021, the Company granted stock options for 640,782 shares. The Company did not grant stock options during the fiscal year ended June 30, 2020. Stock options granted in fiscal year ended June 30, 2021 and 2019 vest annually over 3 years and have a 10-year contractual life. These options were granted with an exercise price that is no less than 100% of the fair market value of the underlying shares on the date of the grant.

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

their vesting requirements ("forfeitures"). Changes in the subjective assumptions can materially affect the estimate of the fair value of share-based compensation and, consequently, the related amount recognized in the Consolidated Income Statements.

The Company used the following weighted-average assumptions for the options granted in fiscal years ended June 30, 2021 and 2019:

	Fiscal Year Ended June 30,	
	2021	2019
Expected term	5 years	4 years
Expected volatility	42.78 %	32.93 %
Risk-free interest rate	0.36 %	2.84 %
Dividend yield	0.00 %	0.00 %
Weighted-average fair value per option	\$ 9.01	\$ 11.86

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

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

	Fiscal Year Ended June 30, 2021			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, beginning of year	816,297	\$ 37.99		
Granted during the period	640,782	25.09		
Exercised during the period	(14,725)	29.80		
Canceled, forfeited, or expired during the period	(206,785)	35.35		
Outstanding, end of year	<u>1,235,569</u>	31.84	6.78	\$ 1,917,584
Vested and expected to vest at June 30, 2021	<u>1,218,365</u>	31.95	6.74	\$ 1,852,340
Exercisable, end of year	<u>601,987</u>	\$ 38.94	4.03	\$ —

The aggregate intrinsic value was calculated using the market price of the Company's stock on June 30, 2021, and the exercise price for only those options that have an exercise price that is less than the market price of our stock. This amount will change as the market price per share changes. The aggregate intrinsic value of options exercised during the fiscal years ended June 30, 2021, 2020 and 2019 was less than \$0.1 million, \$0.2 million and \$0.4 million, respectively.

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	Fiscal Year Ended June 30, 2021		
	Options	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested, beginning of year	34,914	\$ 34.19	\$ 10.58
Granted	640,782	25.09	9.01
Vested	(32,371)	34.17	10.58
Canceled or forfeited	(9,743)	26.89	8.84
Unvested, end of year	633,582	\$ 25.10	\$ 9.02

As of June 30, 2021, there was approximately \$4.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the plans in the form of stock options. This cost is expected to be recognized over a weighted-average period of 1.37 years. The total fair value of options vested during the fiscal years ended June 30, 2021, 2020 and 2019 is \$0.3 million, \$0.7 million and \$1.1 million, respectively. The following table summarizes information about stock options outstanding and exercisable as of June 30, 2021:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$22.27 - \$26.38	490,757	9.38	24.51	—	—
\$26.38 - \$30.49	142,825	9.40	27.14	—	—
\$30.49 - \$34.60	113,869	5.08	34.11	113,869	34.11
\$34.60 - \$38.71	208,669	4.84	37.71	208,669	37.71
\$38.71 - \$42.82	279,449	3.02	41.82	279,449	41.83
	1,235,569	6.74	\$ 31.84	601,987	\$ 38.94

The Company issues shares to satisfy the exercise of options.

Restricted Stock

Grants of Restricted Shares

During the fiscal year ended June 30, 2021, the Company granted 419,227 shares of restricted stock to employees and non-employee directors, all of which were issued in the form of RSUs:

	Fiscal Year Ended June 30, 2021			
	Shares granted	Date granted	Grant date fair value	Vesting period
<i>Employees</i>				
Certain employees based on performance	224,409	November 12, 2020	\$ 24.26	Annually over 3 years
Certain employees based on performance	123,636	November 19, 2020	\$ 24.68	Annually over 3 years
Certain employee based upon hire	27,482	March 1, 2021	\$ 29.11	Annually over 3 years
<i>Non-Employee Directors</i>				
Certain Directors	43,700	November 19, 2020	\$ 24.68	6 months

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	Fiscal Year Ended June 30, 2021	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding, beginning of year	438,456	\$ 35.98
Granted during the period	419,227	24.75
Vested during the period	(163,146)	31.89
Cancelled, forfeited, or expired during the period	(156,554)	35.47
Outstanding, end of year	<u>537,983</u>	<u>\$ 27.12</u>

As of June 30, 2021, there was approximately \$10.8 million of unrecognized compensation cost related to unvested restricted stock awards and restricted stock units granted, which is expected to be recognized over a weighted-average period of 1.21 years. The Company withheld 39,704 shares for income taxes during the fiscal year ended June 30, 2021.

(13) Employee Benefit Plans

The Company maintains defined contribution plans that cover all employees located in the United States that meet certain eligibility requirements and provides a matching contribution equal to one-half of each participant's contribution, up to a maximum matching contribution per participant of \$800. Employer contributions are vested based upon tenure over a five-year period.

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Matching contributions	\$ 1,262	\$ 1,214	\$ 1,262
Discretionary contributions	—	—	1,536
Total contributions	<u>\$ 1,262</u>	<u>\$ 1,214</u>	<u>\$ 2,798</u>

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

(14) Income Taxes

In the fourth quarter of the fiscal year ended June 30, 2021, following a review of its operations, liquidity and funding, tax implications of cash repatriation and investment opportunities, the Company determined that the ability to access the earnings of foreign earnings that were previously indefinitely reinvested could provide greater investment returns and meet other working capital needs if available to repatriate to the U.S. Accordingly, in the quarter ended June 30, 2021, the Company withdrew the permanent reinvestment assertion only with respect to all earnings generated by foreign operations. As a result of this change in the permanent reinvestment assertion, the Company considered recording a deferred tax liability related to federal, state and withholding tax and determined that no liability should be recorded. There is no certainty as to the timing of the distribution of such earnings to the U.S. in whole or in part.

Income tax expense (benefit) consists of:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Current:			
Federal	\$ 9,132	\$ 13,892	\$ 18,223
State	1,261	3,244	4,459
Foreign	874	1,188	(2,342)
Total current	<u>11,267</u>	<u>18,324</u>	<u>20,340</u>
Deferred:			
Federal	207	(8,526)	(4,913)
State	(1,297)	(2,667)	(945)
Foreign	1,969	320	4,296
Total deferred	<u>879</u>	<u>(10,873)</u>	<u>(1,562)</u>
Provision for income taxes	<u>\$ 12,146</u>	<u>\$ 7,451</u>	<u>\$ 18,778</u>

A reconciliation is provided below of the U.S. Federal income tax expense for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019 with the applicable statutory rate of 21%.

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
U.S. statutory rate	21.0 %	21.0 %	21.0 %
U.S. Federal income tax at statutory rate	\$ 12,082	\$ (15,073)	\$ 17,564
Increase (decrease) in income taxes due to:			
State and local income taxes, net of Federal benefit	996	1,316	2,864
Tax credits	(170)	(1,419)	(1,324)
Valuation allowance	3,472	1,699	57
Effect of varying statutory rates in foreign operations, net	1,051	1,374	1,938
Stock compensation	1,094	41	35
Capitalized acquisition costs	—	59	69
Disallowed interest	86	1,639	1,600
Earnings from foreign subsidiaries	124	1,661	50
Net favorable recovery	—	(6,517)	(3,112)
Losses on dispositions	(2,897)	—	—
Global intangible low taxed income (GILTI) tax	(45)	(128)	365
Non-deductible goodwill impairment	—	20,180	—
Nontaxable income	(1,628)	—	(822)
U.S. Tax Reform transition tax	—	—	(827)
Notional interest deduction on net equity	(568)	—	—
Other jurisdictions impact of rate change on deferred taxes	—	—	(20)
Other	(1,451)	2,619	341
Provision for income taxes	<u>\$ 12,146</u>	<u>\$ 7,451</u>	<u>\$ 18,778</u>

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	June 30,	
	2021	2020
<i>(in thousands)</i>		
Deferred tax assets derived from:		
Allowance for accounts receivable	\$ 5,557	\$ 6,466
Inventories	5,577	3,226
Nondeductible accrued expenses	8,024	11,109
Net operating loss carryforwards	892	3,083
Tax credits	7,138	6,734
Timing of amortization deduction from goodwill	—	12,516
Deferred compensation	7,893	7,247
Stock compensation	2,977	3,034
Capital loss carryforwards	7,633	—
Timing of amortization deduction from intangible assets	4,880	4,145
Total deferred tax assets	50,571	57,560
Valuation allowance	(13,996)	(9,195)
Total deferred tax assets, net of allowance	36,575	48,365
Deferred tax liabilities derived from:		
Timing of depreciation and other deductions from building and equipment	(3,749)	(3,347)
Timing of amortization deduction from goodwill	(582)	(7,390)
Timing of amortization deduction from intangible assets	(14,345)	(16,882)
Total deferred tax liabilities	(18,676)	(27,619)
Net deferred tax assets	\$ 17,899	\$ 20,746

The components of pretax earnings are as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
<i>(in thousands)</i>			
Domestic	\$ 39,511	\$ (83,517)	\$ 68,675
Foreign	18,024	11,741	14,962
Worldwide pretax earnings	\$ 57,535	\$ (71,776)	\$ 83,637

As of June 30, 2021, there were (i) gross net operating loss carryforwards of approximately \$1.7 million for U.S. federal income tax purposes; (ii) gross state net operating loss carryforwards of approximately \$7.3 million; (iii) foreign gross net operating loss carryforwards of approximately \$1.6 million; (iv) state income tax credit carryforwards of approximately \$2.1 million that began to expire in the 2020 tax year; (v) withholding tax credits of approximately \$4.9 million; (vi) foreign tax credits of \$0.2 million, and (vii) gross capital loss carryovers of \$30.5 million. The Company maintains a valuation allowance of \$0.6 million for U.S. federal income tax purposes, \$7.6 million for capital loss carryforwards, \$0.3 million for foreign net operating losses, a less than \$0.2 million valuation allowance for state net operating losses, a \$4.9 million valuation allowance for withholding tax credits, a \$0.1 million valuation allowance for foreign tax credits, and \$0.3 million valuation allowance for state income tax credits, where it was determined that, in accordance with ASC 740, it is more likely than not that they cannot be utilized.

The Company adopted ASU 2016-09 during fiscal year 2018 which required the Company to recognize excess tax benefits and tax deficiencies as income tax expense or benefit for stock award settlements that were previously recognized as additional paid-in-capital. As a result of these changes, the Company recognized net tax expense of \$1.1 million for the fiscal year ended June 30, 2021, and less than \$0.1 million for the fiscal years ended June 30, 2020 and 2019.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

As of June 30, 2021, the Company had gross unrecognized tax benefits of \$1.1 million, \$0.9 million of which, if recognized, would affect the effective tax rate. This reflects a decrease of less than \$0.1 million on a gross basis over the prior fiscal year. The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying Consolidated Income Statement. Accrued interest and penalties are included within the related tax liability line in the Consolidated Balance Sheet. The total amount of interest and penalties accrued, but excluded from the table below, were \$1.1 million, \$1.1 million and \$1.0 million for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Beginning Balance	\$ 1,156	\$ 1,234	\$ 1,703
Additions based on tax positions related to the current year	68	137	69
Reduction for tax positions of prior years	(103)	(215)	(538)
Ending Balance	\$ 1,121	\$ 1,156	\$ 1,234

A Supplemental Law in Brazil affirms that Brazilian state-provided benefits are not subject to income tax. The Company recorded, discrete to the June 30, 2021 quarter, an income tax benefit of \$2.8 million related to the confirmation of the recovery of state-provided tax benefits.

Discrete to the June 30, 2021 quarter, the Company recorded a tax benefit of \$2.1 million for tax exempt income related to nonrecurring cancellation of indebtedness in a subsidiary.

The Company conducts business globally and, as a result, one or more of its subsidiaries files income tax returns in the United States federal, various state, local and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in countries in which it operates. With certain exceptions, the Company is no longer subject to state and local, or non-United States income tax examinations by tax authorities for tax years before June 30, 2016.

(15) Leases

In accordance with ASC 842, *Leases*, at contract inception the Company determines if a contract contains a lease by assessing whether the contract contains an identified asset and whether the Company has the ability to control the asset. The Company also determines if the lease meets the classification criteria for an operating lease versus a finance lease under ASC 842. Substantially all of the Company's leases are operating leases for real estate, warehouse and office equipment ranging in duration from 1 year to 10 years. The Company has elected not to record short-term operating leases with an initial term of 12 months or less on the Condensed Consolidated Balance Sheets. Operating leases are recorded as other non-current assets, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The Company has finance leases for information technology equipment expiring through fiscal year 2024. Finance leases are recorded as property and equipment, net, accrued expenses and other current liabilities and other long-term liabilities on the Condensed Consolidated Balance Sheets. The gross amount of the balances recorded related to finance leases is immaterial to the financial statements at June 30, 2021 and 2020.

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

expensed as incurred. Further, the Company has elected the practical expedient to recognize all lease and non-lease components as a single lease component, where applicable.

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

Operating leases	Balance Sheet location	June 30, 2021		June 30, 2020	
		<i>(in thousands)</i>			
Operating lease right-of-use assets	Other non-current assets	\$	19,246	\$	23,581
Current operating lease liabilities	Accrued expenses and other current liabilities		4,284		4,476
Long-term operating lease liabilities	Other long-term liabilities		16,550		20,760

The following table presents amounts recorded in operating lease expense as part of selling general and administrative expenses on the Condensed Consolidated Income Statements during the fiscal years ended June 30, 2021 and 2020. Operating lease costs contain immaterial amounts of short-term lease costs for leases with an initial term of 12 months or less.

	Fiscal year ended June 30,	
	2021	2020
<i>(in thousands)</i>		
Operating lease cost	\$ 5,256	\$ 6,135
Variable lease cost	1,068	1,485
	<u>\$ 6,324</u>	<u>\$ 7,620</u>

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

	Fiscal year ended June 30,	
	2021	2020
<i>(in thousands)</i>		
Cash paid for amounts in the measurement of lease liabilities	\$ 5,456	\$ 5,773
Right-of-use assets obtained in exchange for lease obligations	—	1,672

The weighted-average remaining lease term and discount rate at June 30, 2021 are presented in the table below:

	June 30, 2021
Weighted-average remaining lease term	5.22
Weighted-average discount rate	4.11 %

The following table presents the maturities of the Company's operating lease liabilities at June 30, 2021:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	Operating leases
	<i>(in thousands)</i>
2022	\$ 5,040
2023	4,680
2024	4,158
2025	3,256
2026	2,721
Thereafter	3,269
Total future payments	23,124
Less: amounts representing interest	2,290
Present value of lease payments	\$ 20,834

(16) Commitments and Contingencies

A majority of the Company's net revenues in fiscal years 2021, 2020 and 2019 were received from the sale of products purchased from the Company's ten largest suppliers. The Company has entered into written agreements with substantially all of its major suppliers. While the Company's agreements with most of its suppliers contain standard provisions for periodic renewals, these agreements generally permit termination by either party without cause upon 30 to 120 days' notice.

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

Capital Projects

The Company expects total capital expenditures to range from \$5.0 million to \$8.0 million during fiscal year 2022 primarily for rental equipment investments, IT investments and facility improvements.

Pre-Acquisition Contingencies

During the Company's due diligence for the Network1 acquisition, several pre-acquisition contingencies were identified regarding various Brazilian federal and state tax exposures. The Company recorded indemnification receivables that are reported gross of the pre-acquisition contingency liabilities as the funds were escrowed as part of the acquisition. There were no deposits into the escrow account and \$1.1 million was released from the escrow account during the fiscal year ended June 30, 2021. There were no deposits into, or releases from the escrow account for the fiscal year ended June 30, 2020. The amount available after the impact of foreign currency translation, as of June 30, 2021 and 2020, for future pre-acquisition contingency settlements or to be released to the sellers was \$4.0 million and \$4.8 million, respectively.

The table below summarizes the balances and line item presentation of Network1's pre-acquisition contingencies and corresponding indemnification receivables in the Company's consolidated balance sheet:

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	June 30, 2021	June 30, 2020
	<i>(in thousands)</i>	
Assets		
Prepaid expenses and other assets (current)	\$ 16	\$ 14
Other assets (noncurrent)	\$ 3,998	\$ 3,652
Liabilities		
Other current liabilities	\$ 16	\$ 14
Other long-term liabilities	\$ 3,998	\$ 3,652

The net decline in the value of pre-acquisition contingencies for Network1 is primarily due to the expiration of the statute of limitations for identified pre-acquisition contingencies. The amount of reasonably possible undiscounted pre-acquisition contingencies as of June 30, 2021 is estimated to range from \$4.0 million to \$16.2 million at this time, of which all exposures are indemnifiable under the share purchase agreement.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

(17) Segment Information

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

Worldwide Barcode, Networking & Security Segment

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

Worldwide Communications & Services Segment

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

Selected financial information for each business segment is presented below:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Sales:			
Worldwide Barcode, Networking & Security	\$ 2,175,141	\$ 2,093,217	\$ 2,141,896
Worldwide Communications & Services	975,665	954,517	1,107,903
	<u>\$ 3,150,806</u>	<u>\$ 3,047,734</u>	<u>\$ 3,249,799</u>
Depreciation and amortization:			
Worldwide Barcode, Networking & Security	\$ 15,557	\$ 16,910	\$ 17,274
Worldwide Communications & Services	14,923	15,239	12,891
Corporate	3,027	3,179	3,488
	<u>\$ 33,507</u>	<u>\$ 35,328</u>	<u>\$ 33,653</u>
Change in fair value of contingent consideration:			
Worldwide Barcode, Networking & Security	\$ —	\$ —	\$ —
Worldwide Communications & Services	516	6,941	15,200
	<u>\$ 516</u>	<u>\$ 6,941</u>	<u>\$ 15,200</u>
Operating income:			
Worldwide Barcode, Networking & Security	\$ 28,402	\$ (83,515)	\$ 57,019
Worldwide Communications & Services	44,715	22,548	38,933
Corporate ⁽¹⁾	(11,634)	(4,000)	(1,218)
	<u>\$ 61,483</u>	<u>\$ (64,967)</u>	<u>\$ 94,734</u>
Capital expenditures:			
Worldwide Barcode, Networking & Security	\$ 1,251	\$ 3,632	\$ 3,660
Worldwide Communications & Services	1,098	2,755	2,133
Corporate	14	—	4
	<u>\$ 2,363</u>	<u>\$ 6,387</u>	<u>\$ 5,797</u>
Sales by Geography Category:			
United States	\$ 2,854,178	\$ 2,787,475	\$ 2,949,725
International	310,075	292,600	332,019
Less intercompany sales	(13,447)	(32,341)	(31,945)
	<u>\$ 3,150,806</u>	<u>\$ 3,047,734</u>	<u>\$ 3,249,799</u>

⁽¹⁾ For the year ended June 30, 2021, the amounts shown above include acquisition, divestiture, and restructuring costs. For the year ended June 30, 2020, the amounts shown above include acquisition and divestiture costs. For the year ended June 30, 2019, the amounts shown above include acquisition costs.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

	June 30, 2021	June 30, 2020
	<i>(in thousands)</i>	
Assets:		
Worldwide Barcode, Networking & Security	\$ 858,215	\$ 875,882
Worldwide Communications & Services	786,241	757,148
Corporate	27,228	59,064
	<u>\$ 1,671,684</u>	<u>\$ 1,692,094</u>
Property and equipment, net by Geography Category:		
United States	\$ 39,930	\$ 53,083
International	2,906	2,558
	<u>\$ 42,836</u>	<u>\$ 55,641</u>

(18) Accumulated Other Comprehensive Income

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

	Fiscal Years Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Currency translation adjustment	\$ (93,561)	\$ (125,974)	\$ (87,913)
Unrealized loss on fair value of interest rate swap, net of tax	(4,572)	(6,821)	(2,175)
Accumulated other comprehensive loss	<u>\$ (98,133)</u>	<u>\$ (132,795)</u>	<u>\$ (90,088)</u>

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

	Fiscal years ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Tax expense (benefit)	<u>\$ 2,084</u>	<u>\$ 1,025</u>	<u>\$ (1,117)</u>

(19) Discontinued Operations

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

During the quarter ended June 30, 2020, the Company recorded a pre-tax loss on sale classification of \$88.9 million to reduce the carrying value of the Divestitures to its estimate of fair value (the net proceeds received at closing), less estimated costs to sell. As this loss was determined not to be attributable to any individual components in the Divestitures' net assets, it was reflected as a valuation allowance against the total assets of the Divestitures. During the fiscal year ended June 30, 2021, the Company recorded an additional pre-tax loss on disposal group of \$34.6 million. This loss includes the realization of cumulative translation adjustments of \$11.6 million for the fiscal year ended June 30, 2021. Additional losses for the fiscal year ended June 30, 2021 are primarily attributable to a reduction in the net proceeds received for the Divestitures.

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

The Company finalized the sale of the Latin America businesses, outside of Brazil, on October 30, 2020. The Company also finalized the sale of the Europe and the UK business on November 12, 2020. Total cash received for the sale of divestitures was \$34.4 million.

Major components of net loss from discontinued operations for the years ended June 30, 2021, 2020 and 2019 were as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Net sales	\$ 213,373	\$ 561,496	\$ 623,312
Cost of goods sold	198,512	513,003	563,543
Gross profit	14,861	48,493	59,769
Selling, general and administrative expenses	17,291	53,946	61,574
Depreciation expense	—	975	1,127
Intangible amortization expense	—	1,403	1,839
Impairment charges	—	13,747	—
Operating loss	(2,430)	(21,578)	(4,771)
Interest expense, net	394	1,399	195
Loss on held for sale classification	34,597	88,923	—
Other expense, net	310	1,124	763
Loss from discontinued operations before taxes	(37,731)	(113,024)	(5,729)
Income tax (benefit) expense	(3,137)	403	1,533
Net loss from discontinued operations	<u>\$ (34,594)</u>	<u>\$ (113,427)</u>	<u>\$ (7,262)</u>

For fiscal year ended June 30, 2020, the Company allocated goodwill to discontinued operations based on relative fair value of the discontinued operations compared to the consolidated reporting units and impaired such goodwill totaling \$1.0 million for the Worldwide Barcode, Networking & Security segment and \$7.5 million for the Worldwide Communications & Services segment. Identifiable intangible assets, including customer relationships and distributor agreements, were impaired for discontinued operations totaling \$5.2 million for fiscal year ended June 30, 2020. The impairment charges are included in net loss from discontinued operations in the Consolidated Income Statements.

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

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

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

Significant non-cash operating items and capital expenditures reflected in the cash flows from discontinued operations for the fiscal years ended June 30, 2021, 2020 and 2019 were as follows:

	Fiscal Year Ended June 30,		
	2021	2020	2019
	<i>(in thousands)</i>		
Loss on held for sale classification	\$ 34,597	\$ 88,923	\$ —
Impairment charges	—	13,747	—
Depreciation and amortization	—	2,378	2,966
Capital expenditures	(58)	(77)	(1,416)

(20) Restructuring

SCANSOURCE, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)
June 30, 2021

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

The following table presents the restructuring and severance costs incurred for the fiscal year ended June 30, 2021:

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

For the fiscal year ended June 30, 2021, all restructuring costs are recognized in the Corporate reporting unit and have not been allocated to the Worldwide Communications & Services or Worldwide Barcode, Networking & Security segment. The Company incurred restructuring charges in the prior year that were immaterial to the condensed consolidated financial statements and unrelated to the program described above.

Accrued restructuring and severance costs are included in accrued expenses and other current liabilities on the Condensed Consolidated Balance Sheets. The following table represents activity for the fiscal year ended June 30, 2021:

	Accrued Expenses	
	<i>(in thousands)</i>	
Balance at July 1, 2020		—
Charged to expense	\$	9,258
Cash payments		(8,059)
Balance at June 30, 2021	\$	1,199

The remaining balance as of June 30, 2021 of \$1.2 million, primarily related to Corporate, is expected to be paid through the first quarter of fiscal year 2022.

(21) Subsequent Events

Share Repurchases

In August 2021, our Board of Directors authorized a \$100 million share repurchase program. The authorization does not have any time limit.

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

Not applicable.

ITEM 9A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

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

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as of June 30, 2021, were effective in providing reasonable assurance that the objectives of the disclosure controls and procedures are met.

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

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

We assessed the effectiveness of our internal control over financial reporting as of June 30, 2021. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *2013 Internal Control – Integrated Framework*. Based on its assessment using those criteria, our management concluded that our internal control over financial reporting was effective as of June 30, 2021.

The effectiveness of our internal control over financial reporting as of June 30, 2021 has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Certified Public Accounting Firm on Internal Control Over Financial Reporting which is included with the Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K and is incorporated herein by reference.

(c) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal year ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other Information.

None.

PART III

Information called for by Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K has been omitted as we intend to file with the SEC not later than 120 days after the end of our fiscal year ended June 30, 2021, an amendment to this Form 10-K or a definitive Proxy Statement relating to the 2022 Annual Meeting pursuant to Regulation 14A promulgated under the Exchange Act (the "Part III Filing"). Such information will be set forth in such Part III Filing and is incorporated herein by reference.

ITEM 10. Directors, Executive Officers and Corporate Governance.

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

ITEM 11. Executive Compensation.

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

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

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

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

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

ITEM 14. Principal Accountant Fees and Services.

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

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

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

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

(b) *Exhibits*. See Exhibit Index.

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

[Table of Contents](#)

[Index to Financial Statements](#)

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCANSOURCE, INC.

Date: August 24, 2021

By: /s/ MICHAEL L. BAUR

Michael L. Baur

Chairman, Chief Executive Officer and President
(Principal Executive Officer)

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ MICHAEL L. BAUR</u> Michael L. Baur	Chairman, Chief Executive Officer and President (Principal Executive Officer)	August 24, 2021
<u>/s/ STEVE JONES</u> Steve Jones	Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 24, 2021
<u>/s/ PETER C. BROWNING</u> Peter C. Browning	Lead Independent Director	August 24, 2021
<u>/s/ FRANK E. EMORY, JR.</u> Frank E. Emory, Jr.	Director	August 24, 2021
<u>/s/ MICHAEL J. GRAINGER</u> Michael J. Grainger	Director	August 24, 2021
<u>/s/ DOROTHY F. RAMONEDA</u> Dorothy F. Ramoneda	Director	August 24, 2021
<u>/s/ JOHN P. REILLY</u> John P. Reilly	Director	August 24, 2021
<u>/s/ JEFFREY R. RODEK</u> Jeffrey R. Rodek	Director	August 24, 2021
<u>/s/ ELIZABETH O. TEMPLE</u> Elizabeth O. Temple	Director	August 24, 2021
<u>/s/ CHARLES R. WHITCHURCH</u> Charles R. Whitchurch	Director	August 24, 2021

Exhibit Index

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
2.1	Letter Agreement between Registrant and Intersmart Comércio Importação/Exportação de Equipamentos Eletrônicos, S.A., dated August 14, 2014		8-K	10.1	8/15/2014
2.2	Share Purchase and Sale Agreement for Global Data Network LLP dated January 8, 2015		10-Q	2.1	2/3/2015
2.3	Asset Purchase Agreement for Intelisys, Inc. dated August 5, 2016		10-Q	10.1	11/7/2016
2.4	Sale and Purchase Agreement, dated November 12, 2020, by and among ScanSource Europe C.V. and SSE Services Holdings, LLC		8-K	2.1	11/13/2020
3.1	Amended and Restated Articles of Incorporation and Articles of Amendment		10-Q	3.1	2/3/2005
3.2	Amended and Restated Bylaws		8-K	3.1	11/30/2018
4.1	Form of Common Stock Certificate		SB-2	4.1	2/7/1994
4.2	Description of Securities		10-K	4.2	8/22/2019
	Executive Compensation Plans and Arrangements				
10.1	ScanSource, Inc. Nonqualified Deferred Compensation Plan, as Amended and Restated Effective January 1, 2021		10-Q	10.3	5/10/2021
10.2	Amended and Restated 2002 Long-Term Incentive Plan		8-K	10.1	12/7/2009
10.3	2013 Long-Term Incentive Plan		S-8	99	12/5/2013
10.4	Employee Stock Purchase Plan		S-8	99	12/5/2013
10.5	Founder's Supplemental Executive Retirement Plan Agreement		10-Q	10.2	5/6/2011
10.6	Executive Severance Plan		8-K	10.3	6/21/2017
10.7	Form of Incentive Stock Option Award Certificate under the Amended and Restated 2002 Long-Term Incentive Plan for grants on or after December 3, 2009		8-K	10.3	12/7/2009
10.8	Form of Incentive Stock Option Award Certificate under the Amended and Restated 2002 Long-Term Incentive Plan for grants on or after December 3, 2010		10-Q	10.2	2/4/2011
10.9	Form of Non-Qualified Stock Option Award Certificate under the Amended and Restated 2002 Long-Term Incentive Plan for grants on or after December 3, 2009		8-K	10.4	12/7/2009
10.10	Form of Non-Qualified Stock Option Award Certificate under the Amended and Restated 2002 Long-Term Incentive Plan for grants on or after December 3, 2010		10-Q	10.3	2/4/2011
10.11	Form of Restricted Stock Unit Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.1	2/6/2014
10.12	Form of Director Restricted Stock Unit Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.2	2/6/2014
10.13	Form of Incentive Stock Option Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.3	2/6/2014
10.14	Form of Non-Qualified Stock Option Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan for grants on or after December 5, 2013		10-Q	10.4	2/6/2014

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
10.15	Form of Other Stock Based Award Certificate under ScanSource, Inc. 2013 Long-Term Incentive Plan		10-K	10.33	8/28/2014
10.16	Form of Performance and Service - Based Restricted Stock Unit Award Certificate under ScanSource Inc. 2013 Long-Term Incentive Plan		10-K	10.34	8/28/2014
10.17	Form of Restricted Stock Unit Award (Performance and Service-Based) under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.1	12/8/2017
10.18	Form of Restricted Stock Unit Award (Service-Based) under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.2	12/8/2017
10.19	Form of Non-Qualified Stock Option Agreement under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.3	12/8/2017
10.20	Form of Incentive Stock Option Agreement under the 2013 Long-Term Incentive Plan (2017 version)		8-K	10.4	12/8/2017
10.21	Amended and Restated Employment Agreement, effective as of July 1, 2017, of Michael L. Baur		8-K	10.1	6/21/2017
10.22	Amended and Restated Employment Agreement, dated June 25, 2014, of Gerald Lyons		10-K	10.24	8/28/2014
10.23	First Amendment to Amended and Restated Employment Agreement, effective June 15, 2017, of Gerald Lyons		8-K	10.2	6/21/2017
10.24	Employment Letter, dated August 23, 2017, of Gerald Lyons		8-K	10.1	8/24/2017
10.25	Employment Letter, dated January 11, 2018 of Matthew Dean		10-K	10.27	8/22/2019
10.26	Employment Letter, dated September 17, 2019 of John Eldh	X			
10.27	Severance Plan for John C. Eldh	X			
10.28	Employment Letter, dated November 16, 2020, of Stephen Jones		10-Q	10.1	2/2/2021
10.29	Employment Letter, dated May 6, 2021 of Rachel Hayden	X			
10.30	Board of Directors Compensation Program effective July 1, 2018		10-K	10.32	8/28/2018
10.31	First Amendment to Nonqualified Deferred Compensation Plan		8-K	10.1	11/30/2018
10.32	Form of Director Restricted Stock Award Certificate for grants on or after January 1, 2019		8-K	10.2	11/30/2018
10.33	Form of Director Restricted Stock Unit Certificate for grants on or after January 1, 2019		8-K	10.3	11/30/2018
10.34	Form of Director Restricted Stock Award Certificate		8-K	10.4	11/30/2018
10.35	Form of Restricted Stock Unit Award Certificate		8-K	10.5	11/30/2018
10.36	Form of Restricted Stock Unit Award Certificate		8-K	10.1	1/30/2020
10.37	Form of Restricted Stock Unit Award Certificate	X			
10.38	Form of Restricted Stock Unit Award Certificate	X			
	Bank Agreements				
10.39	Second Amended and Restated Credit Agreement		8-K	10.1	5/1/2019
	Other Agreements				

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
10.40	+ Industrial Lease Agreement dated April 27, 2007 between Registrant and Industrial Developments International, Inc.	X			
10.41	+ Third Amendment to Industrial Lease Agreement between Registrant and Industrial Developments International, Inc.	X			
10.42	Fourth Amendment to Industrial Lease Agreement		10-Q	10.1	5/9/2019
10.43	+ Nonexclusive Value Added Distributor Agreement between ScanSource, Inc. and Cisco Systems, Inc.		10-K	10.38	8/22/2019
10.44	+ Amendment No. 3 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.39	8/22/2019
10.45	+ Amendment No. 5 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.40	8/22/2019
10.46	+ Amendment No. 6 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.41	8/22/2019
10.47	+ Amendment No. 7 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.42	8/22/2019
10.48	+ Amendment No. 9 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.43	8/22/2019
10.49	+ Amendment No. 11 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.44	8/22/2019
10.50	+ Amendment No. 12 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.45	8/22/2019
10.51	+ Amendment No. 13 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.46	8/22/2019
10.52	+ Amendment No. 14 to Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.47	8/22/2019
10.53	+ Amendment No. 16 to Cisco Nonexclusive Value Added Distributor Agreement		10-Q	10.1	5/10/2021
10.54	+ Amendment No. 17 to Cisco Nonexclusive Value Added Distributor Agreement		10-Q	10.2	5/10/2021
10.55	+ Addendum to Cisco Nonexclusive Value Added Distributor Agreement dated March 25, 2019		10-K	10.48	8/22/2019
10.56	+ Addendum to Cisco Nonexclusive Value Added Distributor Agreement dated March 2, 2015		10-K	10.49	8/22/2019
10.57	+ Affiliate Agreement under Cisco Nonexclusive Value Added Distributor Agreement		10-K	10.50	8/22/2019
10.58	+ Distribution Agreement with US Motorola (f/k/a Symbol Technologies, Inc.)	X			
10.59	+ Amendment to PartnerEmpower Distribution Agreement with Zebra	X			
10.60	Participation Agreement Relating to Distribution Agreement with Zebra		10-K	10.51	8/29/2016
10.61	+ Amendment to PartnerConnect EVM Distributor Agreement	X			
10.62	+ Addendum to Zebra PartnerConnect Distributor Agreement		10-Q	10.2	5/9/2019
10.63	Letter of Agreement to PartnerConnect EVM Distributor Agreement		10-K	10.55	8/31/2020
10.64	Addendum to Zebra PartnerConnect EVM Distributor Agreement	X			
21.1	Subsidiaries of the Company	X			
23.1	Consent of Grant Thornton LLP	X			
31.1	Certification of the Chief Executive Officer	X			
31.2	Certification of the Chief Financial Officer	X			
32.1	Certification of the Chief Executive Officer	X			

Exhibit Number	Description	Filed herewith	Form	Exhibit	Filing Date
32.2	Certification of the Chief Financial Officer The following materials from our Annual Report on Form 10-K for the year ended June 30, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets as of June 30, 2021 and June 30, 2020, (ii) the Consolidated Income Statements for the years ended June 30, 2021, June 30, 2020 and June 30, 2019, (iii) the Consolidated Statements of Shareholders' Equity for the years ended June 30, 2021, June 30, 2020 and June 30, 2019, (iv) the Consolidated Statements of Cash Flows for the years ended June 30, 2021, June 30, 2020 and June 30, 2019, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text. The instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.	X			
101		X			
104	Cover page Inline XBRL File (Included in Exhibit 101)	X			

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

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

THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO S.C. CODE ANN. § 15-48-10, et seq., THE SOUTH CAROLINA UNIFORM ARBITRATION ACT

SENT VIA E-MAIL

Mr. John Eldh
1 Fieldcrest Road
Westport, CT 06880

September 27, 2019

Dear John:

On behalf of ScanSource, Inc. (the “Company”), I am pleased to confirm our offer of employment to you for the position of Senior Executive Vice President and Chief Revenue Officer (“CRO”). I believe you will find it to be both challenging and rewarding and we look forward to having you as a critical member of the team.

Please be at the Reception Lobby at 9:00 a.m. on your first day, which shall be on or before October 1, 2019 (the “Effective Date”) and ask for John Harvey. We will send you a Welcome Packet from our Human Resources Team. The packet provides general information on the benefit programs offered by the Company. Your benefits are further discussed below and will be explained in more detail on your first day, but if you have questions in the meantime please call John at 864-286-4379.

1. Certain Employment Terms. You will assume your role as CRO and may serve as an officer and/or director of one or more of the Company’s subsidiaries or other affiliates if and as directed by the Board. Your position is a full-time position and you will be expected to devote your full business time and attention to the performance of your duties and responsibilities in the position(s) described above. You will report to the Chief Executive Officer. Your compensation is determined by the CEO. Your employment will be for no set duration. You will be an at-will employee, which means that either the Company or you may terminate the employment relationship at any time, for any reason or no reason, with or without cause, subject to the severance plan benefit opportunities referenced in Section 6 of this Letter Agreement. Although your position will require travel, your principal place of employment will be at the Company’s headquarters in Greenville, South Carolina. You are authorized to join up to a total of two non-competing public and/or private corporation boards of directors, subject to prior notice to and approval by the Board.

2. Base Salary. Your annual base salary as of the Effective Date in your role as CRO will be \$500,000, paid in accordance with the Company’s payroll practices (every two weeks by direct deposit) pro-rated for any partial year, and less applicable taxes and withholdings. Your salary will be subject to annual review by the CEO but shall not be subject to decrease without your consent.

3. Bonuses. You will be eligible to participate in the Company’s cash-based variable compensation incentive plan (the “Bonus Plan”). Your target annual bonus opportunity for fiscal 2020 shall be equal to 150% of base salary (\$750,000), and your maximum annual bonus opportunity shall not exceed 200% of your base salary (\$1,000,000). Thereafter, your target and maximum short-term incentive opportunities shall be subject to periodic review, provided that you will be eligible to participate in the Bonus Plan at a level commensurate with the level of participation of other senior executive officers of the Company. Bonuses, if any, will be prorated for any partial years, based on actual performance. The performance measures and goals applicable to your annual bonus opportunity (for any year) shall be established by the CEO, and the CEO shall have the discretion to determine if, and the extent to which, any such measures and goals have been met and the bonus has been earned. While it is generally anticipated that your annual short-term incentive opportunities will be maintained, your participation in the Bonus Plan does not constitute a promise of payment. Your actual incentive payout, if any, will depend on the Company’s financial and business performance and/or the CEO’s assessment of your individual performance, and will be subject to the terms and conditions of the Bonus Plan. Any bonus payment made to you under the Bonus Plan will be paid to you in accordance with Treasury Reg. Section 1.409A-1(b)(4) or shall otherwise be made in a

manner intended to be exempt from, or to comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the "Code").

4. Long-Term Incentive Awards. You will be eligible to participate in and receive awards under any long-term incentive plan or program of the Company that is in place from time to time in which other senior executive officers of the Company participate. The amount, form and vesting and other terms and conditions of such awards will be reviewed and established periodically by the Compensation Committee, but it is expected that you will be granted equity awards in the normal course of business at a level commensurate with the level of equity awards granted to other senior executive officers of the Company. For the Company's annual equity grant for calendar 2019, you will be considered for inclusion at a grant value of \$1,000,000 on the date of grant, and for subsequent annual equity grants you will be considered for inclusion at a grant value of \$1,500,000 on the date of grant, all subject to Compensation Committee discretion. Equity awards will be subject to performance and/or service conditions and of type(s) (options, restricted awards, performance awards) determined by the Committee in its discretion and shall be subject to the terms of the Company's 2013 Long-Term Incentive Plan (as it may be amended, and any successor plan thereto, the "Stock Plan"), Equity Award Grant Policy, and award agreement(s) in form(s) established by the Compensation Committee.

5. New Hire Grant. Upon hire you will receive a one-time grant of restricted stock units having a value of \$500,000 on the date of grant, that will vest over three years (34%, 33%, 33%) at the end of each anniversary of your employment date and shall be subject to the terms of the Stock Plan and award agreement in the form established by the Compensation Committee, as well as the terms of the Company's Equity Award Grant Policy.

Severance Benefits; Restrictive Covenants. You will be eligible to participate in a Severance Plan (the "Eldh Severance Plan") following the Effective Date, subject to the terms of such plan and the Company's right to modify or terminate such plan. Subject to the terms of the Eldh Severance Plan, you will be eligible for severance benefits equal to 1.5 times your three-year average annual (a) base salary and (b) variable compensation (as defined in the Eldh Severance Plan) upon termination by the Company without cause or by you for Good Reason (as such terms are defined in the Eldh Severance Plan), or 2.0 times your three-year average annual base salary and variable compensation in the event of a non-cause termination by the Company or your termination for good reason within 12 months after or prior to and otherwise in contemplation of a change in control (as defined in the Eldh Severance Plan). Without limiting the effect of the foregoing, the treatment of any equity awards upon such a qualifying termination will be subject to the terms of the Stock Plan and related award agreements. In addition, you will be subject to certain non-competition, non-solicitation, confidentiality and other restrictive covenants (collectively, the "Restrictive Covenants"), as provided in the Eldh Severance Plan; your entitlement to benefits under the Eldh Severance Plan and this Letter Agreement shall be subject to your compliance with the Restrictive Covenants. Notwithstanding the foregoing, (i) nothing in this Letter Agreement or other agreement prohibits you from reporting possible violations of law or regulation to any federal, state or local governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General (the "Government Agencies"), or communicating with Government Agencies or otherwise participating in any investigation or proceeding that may be conducted by Government Agencies, including providing documents or other information, (ii) you do not need the prior authorization of the Company to take any action described in (i), and you are not required to notify the Company that you have taken any action described in (i); and (iii) this Letter Agreement does not limit your right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. Further, notwithstanding the foregoing, you will not be held criminally or civilly liable under any federal, state or local trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

6. **Health and Welfare Benefits.** The Company provides a comprehensive package of benefits, including medical and prescription drug coverage, dental coverage, vision coverage, life insurance, short- and long-term disability insurance and other offerings. Provided you are an eligible employee as defined under each of the Company's health and welfare benefits plan(s), you will be eligible to participate in such plan(s), subject to the applicable terms of such plan(s) and the Company's right to modify or terminate such plans.

7. **401(k) Savings Plan.** You will be eligible to participate in the Company-sponsored 401(k) savings plan, subject to the terms of such plan and the Company's right to modify or terminate such plan. The Company may in its discretion match a portion of your contributions in accordance with the applicable plan provisions. Eligibility requirements and conditions of enrollment and coverage are subject to change and are set forth in the applicable plan documents.

8. **Deferred Compensation.** You will be eligible to participate in the Company's Nonqualified Deferred Compensation Plan, subject to the plan's terms and conditions and the Company's right to modify or terminate such plan. You shall be eligible to participate by deferring up to 50% of base pay and 100% of incentive pay, with a match of 30% of deferred amounts being made by the Company on the first 15% of pay.

9. **Vacation.** You will be entitled to no less than fifteen (15) vacation days per year, subject to the terms of the Company's vacation policy. The Company also currently offers eight (8) paid holidays, five (5) sick days and one (1) personal day per year.

10. **Relocation Benefits.** You agree to relocate to the Greenville area within 24 months of hire. Between your start date and your relocation, the Company will arrange for and have direct billed up to 24 months of furnished temporary housing, including utilities, to facilitate your move to Greenville. The Company will arrange with carrier and pay for packing and physical move of household goods (up to two cars can be shipped). If you are still in temporary housing when the household goods arrive, the Company will pay for storage until you move to permanent housing. The Company will also pay reasonable fees for having goods moved to permanent housing and unpacked and will also pay up to \$25,000 for approved incidentals (can include, for example, cost of return trip(s) back home, car registration, set up of utilities) with submission of receipts.

11. **Business Travel; Reimbursements.** You will be expected to travel in connection with your employment. The Company will reimburse you for reasonable business expenses incurred in connection with your employment, upon presentation of documentation in accordance with the Company's applicable expense reimbursement policies for senior management. All expenses eligible for reimbursement in connection with your employment with the Company must be incurred by you during the term of your employment or service to the Company. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. In no event shall any reimbursement be paid after the last day of your taxable year following the taxable year during which the expense was incurred. No right to reimbursement is subject to liquidation or exchange for other benefits.

12. **Withholding and Taxes.** All amounts payable or that become payable under this Letter Agreement will be subject to any deductions and withholdings previously authorized by you or required by law. You will be responsible for any and all taxes resulting from the benefits provided under this Letter Agreement. The Company makes no undertakings regarding, and has no obligation to achieve, any certain tax results for you related to the benefits provided herein.

13. **Waiver and Release.** You acknowledge and agree that the Company may at any time require, as a condition to receipt of certain benefits payable under this Letter Agreement, the Eldh Severance Plan or other plan, agreement or arrangement, that you (or a representative of your estate) execute a waiver and release discharging the Company and its subsidiaries, and their respective affiliates, and its and their officers, directors, managers, employees, agents and representatives and the heirs, predecessors, successors and assigns of all of the foregoing, from any and all claims, actions, causes of action or other liability, whether known or unknown, contingent or fixed, arising out of or in any way related to your employment, or the ending of your employment with the Company or the benefits thereunder, including, without limitation, any claims under this Letter Agreement or other related

instruments. The waiver and release will be in a form determined by the Company and shall be executed prior to the expiration of the time period provided for payment of such benefits and at such time as will not result in any compensation or benefits payable under this Letter Agreement otherwise failing to be exempt from or comply with Section 409A of the Code.

14. Amendment and Termination; Entire Agreement; Consideration. This Letter Agreement may be amended or terminated by a written agreement between you and the Company, with the Chairman of the Compensation Committee (or another designee of the Compensation Committee) acting on behalf of the Company. Except for the Eldh Severance Plan and Stock Plan (and related participation and award agreements), this Letter Agreement contains the entire agreement of you and the Company related to the subject matter hereof and supersedes all prior verbal or written discussion, agreements and understandings with respect to such subject matter, and you and the Company have made no agreements, representations or warranties related to the subject matter of this Letter Agreement that are not set forth herein. Your entering into this Letter Agreement does not violate any other agreements or obligations. You further acknowledge that you are receiving valuable consideration in exchange for agreeing to the terms of this Letter Agreement.

15. Compliance with Code Section 409A; Recoupment, Ownership and Other Policies or Agreements. You and the Company agree that you both will cooperate in good faith so that no compensation paid to you by the Company under this Letter Agreement will violate Code Section 409A and the regulations promulgated thereunder. In case any one or more provisions of this Letter Agreement fail to comply with the provisions of Code Section 409A, the remaining provisions of this Letter Agreement shall remain in effect, and this Letter Agreement shall be administered and applied as if the non-complying provisions were not part of this Letter Agreement. The parties in that event shall endeavor to agree upon a reasonable substitute for the non-complying provisions, to the extent that a substituted provision would not cause this Letter Agreement to fail to comply with Code Section 409A, and, upon so agreeing, shall incorporate such substituted provisions into this Letter Agreement. A termination of your employment hereunder shall not be deemed to have occurred for purposes of any provision of this Letter Agreement providing for the payment of any amount or benefit constituting “deferred compensation” under Code Section 409A upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Letter Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service.” In the event that any payment or benefit made hereunder or under any compensation plan, program or arrangement of the Company would constitute payments or benefits pursuant to a non-qualified deferred compensation plan within the meaning of Code Section 409A and, at the time of your “separation from service” you are a “specified employee” within the meaning of Code Section 409A, then any such payments or benefits that are provided to you on account of your “separation from service” shall be delayed until the six-month anniversary of the date of your “separation from service” (such six month anniversary being the “Specified Employee Payment Date”). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date with interest and, thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If you die before the Specified Employee Payment Date, any delayed payments shall be paid to your estate in a lump sum within 30 days of your death. Each payment made under this Letter Agreement shall be designated as a “separate payment” within the meaning of Code Section 409A. You acknowledge and agree that in the event that this Letter Agreement or any benefit described herein shall be deemed not to comply with Code Section 409A, then neither the Company, the Board, the Compensation Committee nor its or their designees or agents shall be liable to you or other persons for actions, decisions or determinations made in good faith. Further, as a condition to entering into this Letter Agreement, you agree that you will abide by all provisions of any compensation recovery (“clawback”) policy, stock ownership guidelines, equity retention policy and/or other similar policies maintained by the Company, each as in effect from time to time and to the extent applicable to you from time to time. In addition, you will be subject to such compensation recovery, recoupment, forfeiture or other similar provisions as may apply at any time to you under applicable law.

16. Compensation and Benefit Plans Control. The Company’s benefit offerings and other terms and conditions of employment are subject to change or termination, with or without notice. In the event of

differences between any documents relating to compensation and benefits, the terms of the applicable plan or other document will control.

17. Governing Law; Successors and Assigns. This Letter Agreement will be governed by and construed in accordance with the laws of the State of South Carolina, without regard to the principles of conflict of laws, and in accordance with applicable U.S. federal law. The provisions, obligations and rights of this Letter Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

18. Additional Terms. This offer of employment is made in reliance on your representation that there exists no conflict of interest or contractual or statutory obligation that would prevent you from becoming employed with the Company and performing duties as described in this Letter Agreement. You represent that you are legally eligible to work in the United States and you understand that a condition of your employment is that you furnish acceptable proof of such eligibility to the Company. You agree that you will not use trade secret or confidential information of any previous employer on behalf of the Company. You further represent that you will adhere to ethical business practices in performing your duties and there is no third party that has a financial interest or will receive monetary benefit from the performance of your duties.

If the terms of this Letter Agreement are acceptable to you, please sign below and return it to the Company's Vice President Worldwide – Human Resources, at your earliest opportunity.

Sincerely,

/s/ Mike Baur
Mike Baur
Chairman, President and CEO

I acknowledge receipt and acceptance of the offer of employment in this Letter Agreement. By my signature below, I accept all terms and conditions set forth above. As a condition to the effectiveness of this Letter Agreement, you will be required to sign the Company's Confidentiality, Non-compete, Non-solicitation, and IP Assignment agreement. In addition, I acknowledge and agree that, I will be employed on an at-will basis and that any change to that status may only be made through an agreement in writing signed by the Company.

Accepted: /s/ John C. Eldh
John C. Eldh

Date: 10/02/19

**THIS PLAN IS SUBJECT TO ARBITRATION PURSUANT TO S.C.
CODE ANN. § 15-48-10, et seq.,
THE SOUTH CAROLINA UNIFORM ARBITRATION ACT**

**SCANSOURCE, INC.
SEVERANCE PLAN FOR JOHN C. ELDH**

ScanSource, Inc., a South Carolina corporation (the “Company”), is entering into this Severance Plan for John C. Eldh (the “Eldh Severance Plan”) for the benefit of John C. Eldh as an executive officer of the Company, on the terms and conditions stated herein.

1. **Defined Terms.** In addition to other terms defined herein, for purposes of the Eldh Severance Plan, the following terms shall have the meanings indicated below:

1.1 “Accrued Obligations” has the meaning given in Section 5.1(a).

1.2 “Affiliate” means a Subsidiary and any other corporation or other entity or Person controlling, controlled by or under common control with the Company.

1.3 “Applicable Law” means any applicable laws, rules and regulations (or similar guidance), including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934, ERISA and the Code, in each case as amended. References to any applicable laws, rules and regulations shall also refer to any successor or amended provisions thereto and shall be deemed to include any regulations or other interpretive guidance, unless the Committee determines otherwise.

1.4 “Average Compensation Amount” has the meaning given in Section 5.1(c)(i) herein.

1.5 “Base Salary” means the Participant’s annual base salary at the rate in effect immediately prior to a Qualifying Termination.

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

1.7 “Cause”. The Company may terminate the Participant’s employment with or without Cause. For purposes of this Agreement, “Cause” means:

(a) engaging in unethical or illegal conduct or misconduct, which includes but is not limited to violations of the Company’s policies concerning employee conduct; or

(b) the Participant’s breach of any material (as determined by the Board or the Compensation Committee) term of this Agreement.

Regardless of whether the Participant’s employment initially is considered to be terminated for any reason other than Cause, the Participant’s employment will be considered to have been terminated for Cause for purposes of this Eldh Severance Plan if the Board or the Committee determines after the Participant’s employment ends that the Participant had a material breach of the terms of the Eldh Severance Plan above while employed.

1.8 A “Change in Control” has the meaning given in the Company’s 2013 Long-Term Incentive Plan, as it may be amended, or any successor stock plan (collectively, the “Stock Plan”), provided that, if and to the extent required under Code Section 409A, “Change in Control” shall be as defined in accordance with Code Section 409A.

1.9 “Change in Control Multiple” has the meaning given in the Participant’s Participation Agreement.

1.10 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.11 “Committee” means the Compensation Committee of the Board.

1.12 “Company” means ScanSource, Inc., a South Carolina corporation, and any successors thereto. References to the “Company” also include references to the Company’s Subsidiaries and its other Affiliates (and their successors) if and to the extent so determined by the Committee or the Board.

1.13 “Date of Termination” means the date that a Participant’s employment with the Company terminates for all purposes, as determined by the Committee in accordance with Section 9 herein.

1.14 “Disability” means a mental or physical disability for which the Participant is determined to be disabled under the Company’s long-term disability plan, if any. If the Company has no long-term disability plan (or if otherwise so determined by the Committee in its sole discretion), “Disability” will mean the inability of the Participant, as determined by the Committee, to perform the essential functions of his regular duties and responsibilities, with or without reasonable accommodation, due to a medically determinable physical or mental condition which has lasted (or can reasonably be expected to last) for twelve workweeks in any twelve-month period.

1.15 Reserved

1.16 “Eldh Severance Plan” means this ScanSource, Inc. Executive Severance Eldh Severance Plan, as such plan may be amended and/or restated from time to time.

1.17 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.18 “Good Reason” means the occurrence of any of the following events without the Participant’s consent:

(a) the assignment to the Participant of any duties materially inconsistent with those applicable to executive officer direct reports to the Chief Executive Officer (the “Peer Executives”), excluding an isolated, insubstantial and inadvertent action taken in good faith which is remedied by the Company promptly after receipt of notice from the Participant;

(b) a material reduction by the Company in the Participant’s Base Salary or a material reduction in the Participant’s Variable Compensation opportunity;

(c) the failure by the Company (i) to continue in effect any compensation plan in which the Participant participates during the time of his Eldh Severance Plan participation that is material to the Participant’s total base compensation, unless the Company provides a substantially equivalent alternative plan, or (ii) to continue the Participant’s participation in the alternative plan on a basis that is substantially equivalent in terms of the value of benefits provided;

(d) the Company’s requiring the Participant to be based at any location that increases the Participant’s normal work commute by fifty (50) miles or more as compared to the Participant’s normal work commute or otherwise is a material change in the location at which the Participant is based; or

(e) any failure by the Company to comply with and satisfy Section 11.1.

The Participant must provide written notice to the Company of the Participant's intent to terminate employment for Good Reason within 30 days of the initial existence of the Good Reason. The Company will have an opportunity to cure any claimed event of Good Reason within 30 days of notice from the Participant. The Committee's good faith determination of cure will be binding. The Company will notify the Participant in writing of the timely cure of any claimed event of Good Reason and how the cure was made. Any Notice of Termination delivered by the Participant based on a claimed Good Reason which was thereafter cured by the Company will be deemed withdrawn and ineffective. If the Company fails to cure any claimed event of Good Reason within 30 days of notice from the Participant, the Participant must terminate employment for such claim of Good Reason within 180 days of the initial existence of the Good Reason, and if the Participant fails to do so, such claimed event of Good Reason will be deemed withdrawn and ineffective.

1.19 "Other Benefits" has the meaning given in Section 5.1(b).

1.20 "Participant" shall mean John C. Eldh.

1.21 "Participation Agreement" means the participation agreement delivered by the Company to Participant informing the Participant of his participation in the Eldh Severance Plan, as it may be amended. Participation in the Eldh Severance Plan is subject to the Participant's execution and return of his Participation Agreement. References to the "Eldh Severance Plan" shall, if and to the extent applicable, include the terms of a Participation Agreement entered into with the Participant, unless the Committee determines otherwise.

1.22 "Person" means any person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise whatsoever.

1.23 "Pro Rata Bonus" has the meaning given in Section 5.1(c)(ii) herein.

1.24 "Qualifying Termination" means the Participant's termination of employment with the Company either by the Company without Cause or by the Participant for Good Reason. For the avoidance of doubt, in no event shall a Participant be deemed to have experienced a Qualifying Termination as a result of (a) the Participant's death, Disability, Retirement or voluntary termination, or (b) solely as a result of a Change in Control.

1.25 "Retirement" means, unless the Committee determines otherwise, the occurrence of both (i) the Participant's non-Cause termination of employment with the Company at any time when the Participant's age plus years of service equals or exceeds 65, and (ii) the Committee's determination that the Participant's termination qualifies as a retirement.

1.26 "Severance Benefits" has the meaning provided in Section 5.1(c)(i) herein.

1.27 "Severance Multiple" shall have the meaning given in a Participant's Participation Agreement; provided, however, that in no event shall a Participant's Severance Multiple exceed 2.5.

1.28 "Subsidiary" means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, or unincorporated association), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

1.29 "Variable Compensation" means a Participant's annual cash-based incentive compensation.

2. **Purpose; Effective Date.** The Eldh Severance Plan has been established by the Company effective as of July 1, 2017 (the “**Effective Date**”) to provide selected Participants with the opportunity to receive severance and other benefits in the event of certain terminations of employment and to attract and retain qualified executive officers. The Eldh Severance Plan is intended to be a top hat pension plan under ERISA.

3. **Reserved.**

4. **Administration.** Subject to Section 14.2, the Committee has the exclusive right, power and authority, in its sole and absolute discretion, to administer and interpret the Eldh Severance Plan. The Committee has all powers reasonably necessary to carry out its responsibilities under the Eldh Severance Plan including (but not limited to) the absolute discretionary authority to: (a) administer the Eldh Severance Plan according to its terms and to interpret Eldh Severance Plan provisions; (b) resolve and clarify inconsistencies, ambiguities, and omissions in the Eldh Severance Plan and among and between the Eldh Severance Plan and other related documents; (c) approve the form of each Participation Agreement and any other Eldh Severance Plan-related documents; (d) take all actions and make all decisions regarding questions of eligibility and entitlement to benefits, and benefit amounts; (e) make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Eldh Severance Plan; (f) process and approve or deny all claims for benefits; and (g) decide or resolve any and all questions, including benefit entitlement determinations and interpretations of the Eldh Severance Plan, as may arise in connection with the Eldh Severance Plan. The decision of the Committee on any disputes arising under the Eldh Severance Plan, including (but not limited to) questions of construction, interpretation and administration shall be final, conclusive and binding on all persons having an interest in or under the Eldh Severance Plan. Any determination made by the Committee shall be given deference in the event the determination is subject to judicial review and shall be overturned by a court of law only if it is arbitrary and capricious. The Board may reserve to itself any or all of the authority and responsibility of the Committee under the Eldh Severance Plan or may act as administrator of the Eldh Severance Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Eldh Severance Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the “Committee” shall include the Board. The Committee may delegate any of its duties hereunder to a subcommittee, or to such person or persons from time to time as it may designate, subject to any terms and conditions established by the Committee and Applicable Law.

5. **Obligations of the Company upon Termination.** In the event of the termination of a Participant’s employment with the Company, the following provisions shall apply:

5.1 Qualifying Termination (Termination by the Participant for Good Reason); Termination by the Company Other Than for Cause, Death, Disability or Retirement. If: (i) the Company terminates the Participant’s employment other than for Cause, death, Disability, or Retirement or (ii) the Participant terminates employment for Good Reason following the Company’s failure to cure such Good Reason as set forth in Section 1.17 of the Eldh Severance Plan, the Company will pay the Participant the following amounts and provide the following benefits:

(a) The Participant’s Base Salary earned through the Date of Termination to the extent not already paid (such amount is hereinafter referred to as the “Accrued Obligations”) will be paid in accordance with the Company’s customary payroll practices, paid on the first payroll date that occurs within 30 days after the Date of Termination;

(b) To the extent not previously paid or provided and only if earned as of the Date of Termination, the Company will timely pay or provide to the Participant any other amounts or benefits which the Participant is eligible to receive under any plan, program, policy, practice, contract or agreement of the Company (the “Other Benefits”), pursuant to the terms of such Other Benefits; provided that, without in any way limiting the effect of the foregoing, the treatment of any equity awards upon a Participant’s termination of employment for any reason shall be subject to, and determined in accordance with, the terms of the Stock Plan and related award agreement(s); and

(c) Subject to Section 8 of the Eldh Severance Plan and the Participant's execution of a Release in form acceptable to the Company (the "Release") within the time set forth in Section 5.7 of the Eldh Severance Plan, the Participant's compliance with the terms of the Release and the Participant's compliance with the Restrictions on Conduct described in Section 6 of the Eldh Severance Plan, the Company will (1) pay to the Participant the amount in Section 5.1(c)(i) beginning with the Company's first normal payroll cycle that occurs within 30 days after the Date of Termination, (2) pay the amount in Section 5.1(c)(ii) as set forth below, and (3) provide the benefits in Section 5.1(c)(iii):

(i) Compensation in an amount equal to the Participant's Severance Multiple times the average annual Base Salary and Variable Compensation earned by the Participant from the Company, including any such amounts earned but deferred, in the last three fiscal years before the Date of Termination (the "Average Compensation Amount"), less normal withholdings (the "Severance Benefits"). Notwithstanding the foregoing, if the Date of Termination occurs within 12 months after or prior to and otherwise in contemplation of a Change in Control (as determined by the Board or the Committee (in service prior to a Change in Control)), the Participant will receive Severance Benefits in an amount equal to the Participant's Change in Control Multiple times the Average Compensation Amount, less normal withholdings. With respect to any amounts due the Participant under this Section 5.1(c)(i), the payments shall be made in bi-weekly installments pursuant to the Company's normal payroll cycle during the term of the 24-month period referenced in Section 6.3. Subject to the terms of Section 14.10 herein, if the Participant is entitled to receive Severance Benefits under this Section 5.1(c)(i), then he shall not be entitled to receive severance benefits under any other severance plan, agreement or arrangement maintained by the Company, as such plan, agreement or arrangement may be amended from time to time. The Average Compensation Amount defined herein is to exclude any fiscal years in which the Participant was not employed by the Company, include any partial fiscal years (which shall be annualized), and not include the then current fiscal year;

(ii) A bonus equal to the pro rata portion (based on the number of days elapsed in the current fiscal year through the Date of Termination) of the current fiscal year annual Variable Compensation, if any, that would otherwise be payable if the Participant had continued employment through the end of the current fiscal year based on actual performance (the "Pro Rata Bonus"). The Pro Rata Bonus, if any, less normal withholdings, will be paid within 30 days of the Committee's certification that the Participant has met the necessary performance criteria, which will be no later than the later of March 15 following the end of the calendar year in which the Participant's right to the bonus vests or the 15th day of the third month following the end of the Company's fiscal year in which the Participant's right to the bonus vests; and

(iii) For up to eighteen (18) months following the Date of Termination (the "Continuation Coverage Period"), the Participant shall be entitled to participate (treating the Participant as if he were an active employee of the Company for this purpose) in the Company's medical (including prescription drug coverage) and dental plan (the "Company Health Care Plans"). To receive the continuation coverage provided pursuant to this subsection (iii), the Participant shall timely enroll in the continuation coverage required by Section 4980B of the Code and Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), and the COBRA health care continuation coverage period under Section 4980B of the Code shall run concurrently with the Continuation Coverage Period. The Participant shall pay the entire premium charged for the coverage of the Participant and, if applicable, his dependents under the Company Health Care Plans. During that portion of the Continuation Coverage Period that runs concurrently with COBRA, the premium required for the continuation coverage

provided pursuant to this paragraph (C) shall be equal to the premium required by COBRA (the "COBRA Rate"). During the remainder of the Continuation Coverage Period, the premium required for the continuation coverage shall be the greater of the COBRA Rate or the actuarially determined cost of the continuation coverage as determined by an actuary selected by the Company (i.e., the access only rate). The Company shall reimburse the Participant for the difference between the monthly premium amount actually paid by the Participant pursuant to this subsection (iii) and the monthly premium amount paid by active employees for the same level of coverage under the Company Health Care Plans. Such reimbursement shall be paid to the Participant by the 20th day of the month immediately following the month in which the Participant timely remits the required premium payment. The right to reimbursement and the coverage provided pursuant to this subsection (iii) shall terminate prior to the end of the Continuation Coverage Period if the Participant is eligible to receive similar benefits under another employer-provided or group plan (which plan may be the plan of his new employer or his spouse's employer). The Company makes no representation to the Participant regarding the tax consequences of any benefits that may be received pursuant to this Section 5.1(c)(iii). The Participant agrees to pay any federal, state, or local taxes for which he may become personally liable as a result of any such benefits received.

5.2 Death. If the Participant's employment is terminated because of the Participant's death, the Participant's participation in the Eldh Severance Plan will terminate without further obligations of the Company to the Participant or the Participant's legal representatives under the Eldh Severance Plan other than (i) the payment of Accrued Obligations as described in Section 5.1(a), (ii) the payment of the Pro Rata Bonus as described in Section 5.1(c)(ii), (iii) the payment of the benefits described in Section 5.1(c)(iii), and (iv) the timely payment or provision of Other Benefits as described in Section 5.1(b) of the Eldh Severance Plan. The Accrued Obligations and the Pro Rata Bonus will be paid to the Participant's estate or beneficiary, as applicable. Other Benefits as used in this Section 5.2 will include, without limitation, and the Participant's estate and/or beneficiaries will be entitled to receive, benefits under such plans, programs, practices and policies relating to death benefits, if any, as are applicable to the Participant on the date of his death pursuant to the terms of such Other Benefits.

5.3 Disability. If the Participant's employment is terminated because of the Participant's Disability, the Participant's participation in the Eldh Severance Plan will terminate without further obligations of the Company to the Participant other than (i) the payment of Accrued Obligations as described in Section 5.1(a), (ii) the payment of the Pro Rata Bonus as described in Section 5.1(c)(ii), (iii) the payment of the benefits described in Section 5.1(c)(iii), and (iv) the timely payment or provision of Other Benefits as described in Section 5.1(b) of the Eldh Severance Plan. The term Other Benefits as used in this Section 5.3 includes, without limitation, and the Participant will be entitled after the Disability effective date to receive, disability and other benefits under such plans, programs, practices and policies relating to disability, if any, as are applicable to the Participant and his family on the Date of Termination pursuant to the terms of such Other Benefits.

5.4 Retirement. If the Participant's employment is terminated because of the Participant's Retirement, the Participant's participation in the Eldh Severance Plan will terminate without further obligations of the Company to the Participant other than (i) the payment of Accrued Obligations as described in Section 5.1(a), (ii) the payment of the Pro Rata Bonus as described in Section 5.1(c)(ii), (iii) the benefits described in Section 5.1(c)(iii), and (iv) the timely payment or provision of Other Benefits as described in Section 5.1(b) of the Eldh Severance Plan. The term Other Benefits as used in this Section 5.4 includes, without limitation, and the Participant will be entitled after the Date of Termination to receive, retirement and other benefits under such plans, programs, practices and policies relating to retirement, if any, as applicable to the Participant on the Date of Termination pursuant to the terms of such Other Benefits.

5.5 Cause or Voluntary Termination without Good Reason. If the Participant's employment is terminated for Cause, or if the Participant voluntarily terminates employment without Good Reason (and, for clarity, such termination is for reasons other than Disability or Retirement), the Participant's participation in the Eldh Severance Plan will terminate without further obligations of the Company to the Participant, other than for (i) the payment of Accrued Obligations as described in Section 5.1(a), and (ii) the timely payment or provision of Other Benefits as described in Section 5.1(b).

5.6 Conditions. A Participant's entitlement to severance benefits under Section 5 shall be subject to and conditioned upon (i) the Participant's execution and delivery to the Company of his Participation Agreement in accordance with the terms hereof, (ii) the Participant's execution and delivery of the Release as provided in Section 5.7 hereof and (iii) the Participant's compliance with the terms of the Eldh Severance Plan, including but not limited to the Restrictions on Conduct described in Section 6 of the Eldh Severance Plan, his Participation Agreement and his Release. The Participant's breach or threatened breach of Section 6 shall entitle the Company to immediately cease any payments hereunder, or to refuse payment in the first instance, and the Company shall further be entitled to recover any payments previously made to the Participant under this Section 5.

5.7 Execution of Release. Notwithstanding anything to the contrary in this Section 5, the Release must be executed and provided to the Company, and the period for revoking same must have expired, before the 45th day following the Date of Termination.

5.8 Death Following Termination of Employment: Beneficiary. In the event a Participant becomes entitled to receive any payments pursuant to this Section 5, and he dies prior to receiving any or all of the payments to which he is entitled, then such remaining payments shall be made to his designated beneficiary. For purposes of the Eldh Severance Plan, the Participant's designated beneficiary shall be the same person or persons designated as his beneficiary or beneficiaries under the ScanSource, Inc. Group Term Life Plan (or any successor plan) (unless the Committee determines otherwise).

6. **Restrictions on Conduct of the Participant.**

6.1 General. By participating in the Eldh Severance Plan, a Participant is deemed to agree as follows: The Participant agrees that as part of the executive-level role he will have and services he will perform for the Company, he will be exposed to, and help create and maintain, unique and proprietary methods and information in each market in which the Company does business which give the Company competitive advantages over other "Competitive Businesses," as well as develop goodwill with the Company's customers, suppliers, vendors, advertisers, employees and the general public. By virtue of the position the Participant holds or will hold, the Participant is receiving, will receive, or will be provided access to the Company's unique methods of doing business, including: (1) methods for locating and dealing with vendors, customers, suppliers and advertisers as well as pricing information, distribution channels, and other terms of those relationships; (2) "Confidential Information" and "Trade Secrets;" (3) established relationships and other elements that together comprise goodwill; and/or (4) unique knowledge and training regarding product development, its engineering, product specification, material suppliers, material specifications, product suppliers, manufacturing knowledge and methods, customer feedback, surveys, design-around information, research and development information, internal quality control tests, other quality control information, and other similar proprietary information. The Participant agrees that the competitive advantage and goodwill the Company has created, and which the Participant will assist in furthering and maintaining, is an important and legitimate business asset of the Company. It would be unfair for the Participant to use Confidential Information and Trade Secrets obtained during and as a result of his employment with the Company for the benefit of an organization other than the Company. The Participant has agreed to certain restrictions in exchange for his being eligible for certain severance benefits under the conditions described in the Eldh Severance Plan. The Participant further agrees that it would be impossible to protect against improper and unfair competitive advantages without restricting the Participant's activities in each market where the Participant provided services and the Company has existing customers or prospective customers during the Participant's employment. No lesser territorial

restriction would protect the Company's business interests given the nature of the Participant's role within the Company and access to Confidential Information and Trade Secrets. The Participant agrees that these provisions do not preclude him from earning a living.

6.2 Definitions. The following capitalized terms used in this Section will have the meanings assigned to them below, which definitions will apply to both the singular and the plural forms of these terms:

(a) "Confidential Information" means any and all of the Company's Trade Secrets, confidential and proprietary information, and all other information and data that is not generally known to third persons who could derive economic value from its use or disclosure, including, without limitation, any information or documents about: the Company's accounting practices; financial data; financial plans and practices; the Company's operations; its future plans (including new products or business areas, improved products or business areas, and products or business areas under development); its methods of doing business; internal forms, checklists, or quality assurance testing; programs; customer and supplier lists or other such related information as pricing or terms of business dealings; supply chains; shipping chains and prices; packaging technology or pricing; sourcing information for components, materials, supplies, and other goods; employees; pay scales; bonus structures; contractor information and lists; marketing strategies and information; product plans; distribution plans and distribution channel relationships; business plans; manufacturing, operation, sales and distribution processes; costs; margins for products; prices, sales, orders and quotes for the Company's business that is not readily attainable by the general public; existing and future services; testing information (including methods and results) related to materials used in the development of the Company's products or materials that could be used with the Company's products; development information (including methods and results) related to computer programs that design or test products or that track information from a central database; and the computer or electronic passwords of all employees and/or firewalls of the Company. Confidential Information also includes any information defined in this subsection which the Company obtains from another party and treats as proprietary or confidential, whether or not owned or developed by the Company. Notwithstanding the definitions stated above, the term Confidential Information does not include any information which (i) at the time of disclosure to the Participant, was in the public domain; (ii) after disclosure to the Participant, is published or otherwise becomes part of the public domain through no fault of the Participant; (iii) without a breach of duty owed to the Company, was already in the Participant's possession at the time of disclosure to the Participant; (iv) was received after disclosure to the Participant from a third party who had a lawful right to the information other than through a relationship of trust and confidence with the Company, and without a breach of duty to the Company, disclosed the information to the Participant; or (v) where the Participant can show it was independently developed by the Participant on non-Company time without reference to, or reliance upon, other Confidential Information or Trade Secrets.

(b) "Restricted Territory" means any location in the United States where (1) the Participant performed services for the Company or its affiliates or had contact with the Company's customers, vendors, or suppliers; and (2) where the Company or its affiliates is actively manufacturing, marketing, selling, or distributing its products within the final two years of the Participant's employment, or places where the Company made affirmative steps to manufacture, market, sell, or distribute its products within the final six months of the Participant's employment. If the Participant was assigned only a portion of the territory in which the Company operates or sells, then the Restricted Territory shall be narrowly construed to include only the limited geographic area in which the Participant represented and worked for the Company or was able to establish contact with the Company's customers, vendors, or suppliers.

(c) "Trade Secrets" means information related to the business or services of the Company which (1) derives independent actual or potential commercial value from not being

generally known or readily ascertainable through independent development or reasonable reverse engineering processes by persons who can obtain economic value from its disclosure or use; and (2) is the subject of efforts by the Company and affiliated third parties that are reasonable under the circumstances to maintain its secrecy. Assuming the foregoing criteria in clauses (1) and (2) are met, Trade Secret encompasses business and technical information including, without limitation, know-how, designs, formulas, patterns, compilations, programs, devices, inventions, methods, techniques, drawings processes, finances, actual or potential customers and suppliers, and existing and future products and services of the Company. Notwithstanding the definitions stated above, the term Confidential Information does not include any information which (i) at the time of disclosure to the Participant, was in the public domain; (ii) after disclosure to the Participant, is published or otherwise becomes part of the public domain through no fault of the Participant; (iii) without a breach of duty owed to the Company, was already in the Participant's possession at the time of disclosure to the Participant; (iv) was received after disclosure to the Participant from a third party who had a lawful right to the information through some avenue other than through a relationship of trust and confidence with the Company, and without a breach of duty to the Company, disclosed the information to the Participant; or (v) where the Participant can show it was independently developed by the Participant on non-Company time without reference to, or reliance upon, other Confidential Information or Trade Secrets.

6.3 Restrictions. The Participant understands and agrees that the compensation the Company has agreed to provide pursuant to the Eldh Severance Plan would not be as lucrative if the restrictions set forth in this section were not included in the Eldh Severance Plan. Therefore, in consideration of the compensation provided in the Eldh Severance Plan, and the other terms agreed to by the Company, along with the disclosure (and continued disclosure of Confidential Information and Trade Secrets) a portion of which is being paid to compensate the Participant for these covenants, the Participant covenants and agrees as follows:

(a) Non-Compete. the parties agree that for the term of the Participant's employment, and for a period of eighteen (18) months following the Date of Termination, with or without Cause or Good Reason, the Participant will not, directly or indirectly, alone or in association with or on behalf of any other person or entity, own, manage, operate, join, control, be employed by or with, participate in, or provide the same or substantially the same services as those the Participant provided to the Company during the last two years of the Participant's employment with the Company to any of the following entities: Arrow, BlueStar, CDW, Ingram Micro, Synnex, and Tech Data.

(b) Non-Solicitation of Vendors, Manufacturers, Customers, or Suppliers. For the term of the Participant's employment, and for a period of eighteen (18) months following the Date of Termination, the Participant agrees he will not, directly or indirectly, alone or in association with or on behalf of any other person or entity, solicit any of the Company's vendors, manufacturers, customers or suppliers with whom the Participant had business contact during the course of the Participant's employment with the Company for any Competitive Business for the purpose of providing the same or substantially the same products or services as those provided by the Company and will not induce or encourage any vendors, manufacturers, customers or suppliers to cease doing business with the Company or materially alter their relationship with the Company;

(c) Non-Solicitation of Prospective Vendors, Manufacturers, Customers or Suppliers. For the term of the Participant's employment, and for a period of eighteen (18) months following the Date of Termination, the Participant agrees he will not, directly or indirectly, alone or in association with or on behalf of any other person or entity, solicit any of the Company's prospective vendors, manufacturers, customers or suppliers with whom the Participant had business contact during the course of the Participant's employment with the Company for any Competitive Business;

(d) **Non-Solicitation of Employees.** For the term of the Participant's employment, and for a period of eighteen (18) months following the Termination Date, the Participant agrees he will not, directly or indirectly, alone or in association with or on behalf of any other person or entity, solicit any of the Company's employees to leave the Company to provide services for any Competitive Business;

(e) **Non-Disclosure.** For the term of the Participant's employment, and for a period of no less than sixty (60) months from the Date of Termination (for Confidential Information) or for so long as the information remains protected under the Eldh Severance Plan or applicable statute (for Trade Secrets) thereafter, the Participant agrees that he will not, either directly or indirectly, misappropriate, take, remove, publish, disseminate, provide, or otherwise disclose any Confidential Information or Trade Secrets to any third party, unless required to do so by legal process or other law, without the Company's prior written consent. The Participant agrees that if he believes he is compelled to reveal Confidential Information or Trade Secrets pursuant to the limited exception provided herein, the Participant will, except as provided in Section 6.7, below, provide the Company at least seven (7) days advance notice before doing so, will explain the specifics under which such Confidential Information or Trade Secrets are to be disclosed, and will allow the Company to take steps to prevent the disclosure or use of its Confidential Information or Trade Secrets.

(f) **No Misuse of Confidential Information or Trade Secrets.** For the term of the Participant's employment, and for a period of no less than sixty (60) months from the Date of Termination (for Confidential Information) or for so long as the information remains protected under the Eldh Severance Plan or applicable statute (for Trade Secrets) thereafter, the Participant agrees that he will not, either directly or indirectly, for his own behalf or otherwise, use in any manner the Company's Confidential Information or Trade Secrets.

(g) **Return of Company Property.** Within two (2) business days following the Participant's Date of Termination, the Participant shall return to the Company any and all documents, materials, tangible information, or other property reflecting or containing the Company's Confidential Information or Trade Secrets or that otherwise belong to the Company that the Participant has in his possession. Employee will also permanently delete or remove any programs or data containing or reflecting such information and shall retain no copies of any kind. The Participant acknowledges that all such materials are the sole exclusive property of the Company and that the Participant has no right, title, or interest in such information. If requested by the Company, the Participant further agrees to execute a stipulation that he has complied with this Section 6.3(g).

6.4 **Non-Disparagement.** The Participant agrees that for the term of Employee's employment, and for a period of five (5) years thereafter, he will not disparage the Company to any non-governmental third parties, and the Company agrees that it will exercise reasonable efforts to ensure that its directors, officers, employees and agents do not disparage the Participant, during the term of the Participant's employment and for a period of five (5) years thereafter, to any non-governmental third parties. Nothing in this subsection should be interpreted as any restriction on either party's compliance with any laws requiring or compelling disclosure, or any disclosures that are considered absolutely privileged, such as legal proceedings, subject to the other terms of the Eldh Severance Plan.

6.5 **Severance and Reformation.** The Company and the Participant agree that the provisions of Section 6, including all subparts, are intended to strike the balance between the Participant earning a livelihood and the Company protecting its legitimate business interests. The provisions of Section 6, including all subparts, have been drafted to allow for enforcement. The parties agree that should a court determine that any word, phrase, clause, sentence, paragraph, or other part of the Eldh Severance Plan is unreasonably broad in time, territory, or scope so as to render any remaining provisions unenforceable, the parties desire the court to modify or strike the offending language in the narrowest way possible and

enforce the remainder as if the offending language was not there, so that only reasonable restrictions are enforced.

6.6 Elective Rights of the Company. If the Participant violates, threatens violation, or challenges the enforceability of the restrictive covenants contained in this Section 6 (the “Restrictive Covenants”) (or asserts an affirmative defense to an action seeking to enforce the Restrictive Covenants) including but not limited to being based on an argument that the Restrictive Covenants are (i) not enforceable as a matter of law, (ii) unreasonable in geographical scope or duration or (iii) void as against public policy, the Company shall, in addition to any other rights, claims and/or remedies, be entitled to (1) to cease making the payments required under Section 5 above, and (2) upon demand, to have the Participant repay, within 10 business days of any such demand, any payments already made. Further, any right afforded to, or exercised by, the Company under the Eldh Severance Plan will not affect the enforceability of the Restrictive Covenants or any other right or remedy, equitable or otherwise, of the Company under the Eldh Severance Plan, and, without limiting the effect of the foregoing, the Participant agrees that if he should breach or threaten to breach any of the Restrictive Covenants, the Company may, in addition to seeking other available remedies, apply for the immediate entry of an injunction restraining any actual or threatened breaches or violations of said provisions or terms by the Participant.

6.7 Protected Rights. Notwithstanding the foregoing provisions of Section 6, (i) nothing in the Eldh Severance Plan or other agreement prohibits a Participant from reporting possible violations of law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General (the “Government Agencies”), or communicating with Government Agencies or otherwise participating in any investigation or proceeding that may be conducted by Government Agencies, including providing documents or other information, (ii) a Participant does not need the prior authorization of the Company to take any action described in (i), and a Participant is not required to notify the Company that he has taken any action described in (i); and (iii) the Eldh Severance Plan does not limit a Participant’s right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. Further, notwithstanding the foregoing, a Participant will not be held criminally or civilly liable under any federal, state or local trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation or law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

7. **Mandatory Reduction of Payments in Certain Events**. Any payments made to a Participant under the Eldh Severance Plan will be made with the Participant’s best interests in mind related to the excise (the “Excise Tax”) imposed by Code Section 4999.

7.1 Anything in the Eldh Severance Plan to the contrary notwithstanding, if it is determined that any benefit, payment or distribution by the Company to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of the Eldh Severance Plan or otherwise) (a “Payment”) would be subject to the Excise Tax, then, before making the Payment to the Participant, a calculation will be made comparing (i) the net benefit to the Participant of all Payments after payment of the Excise Tax, to (ii) the net benefit to the Participant if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payments will be limited to the extent necessary to avoid being subject to the Excise Tax (the “Reduced Amount”). In that event, the determination of any reduction in the Payments shall be made by the Accounting Firm (as defined below), in a manner that maximizes the Participant’s economic position and is consistent with Code Section 409A.

7.2 The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, the calculation of the amounts referred to in Section 7.1(i) and (ii) above, and the identification of any Payments to be reduced, if required by Section 7.1, will be made by the Company's regular independent accounting firm at the expense of the Company or, at the election and expense of the Participant, another nationally recognized independent accounting firm (the "Accounting Firm") acceptable to the Company which will provide detailed supporting calculations. The Company shall instruct the Accounting Firm to make all such calculations and determinations in a manner that is in the best interests of the Participant and maximizes the Participant's economic position. As a result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Accounting Firm hereunder, it is possible that Payments to which the Participant was entitled, but did not receive pursuant to Section 7.1, could have been made without the imposition of the Excise Tax (an "Underpayment"). In such event, the Accounting Firm will determine the amount of the Underpayment that has occurred and any such Underpayment will be promptly paid by the Company to or for the benefit of the Participant. All calculations and determinations by the Accounting Firm will be binding upon the Company and the Participant.

7.3 If the provisions of Code Section 280G and Section 4999 or any successor provisions are repealed without succession, this Section 7 will be of no further force or effect.

8. **Deferred Compensation Provision.**

8.1 Notwithstanding any other provision of the Eldh Severance Plan, it is intended that any payment or benefit provided under the Eldh Severance Plan that is considered to be "deferred compensation" subject to Code Section 409A will be provided in such manner and at such time, including without limitation in connection with a permissible payment event under Code Section 409A, as is exempt from or complies with the requirements of Code Section 409A. All rights to payments and benefits under the Eldh Severance Plan are to be treated as rights to receive a series of separate payments and benefits to the fullest extent allowed by Code Section 409A. Termination of employment under the Eldh Severance Plan, to the extent required by Code Section 409A, will be construed to mean a "separation from service" under Code Section 409A and related regulations. The terms of the Eldh Severance Plan are intended to, and will be construed and administered to the fullest extent possible, to permit compensation to be paid under the Eldh Severance Plan to be exempt from or comply with Code Section 409A. Regardless, neither the Company nor its directors, officers or agents will be liable to a Participant or anyone else if the Internal Revenue Service or any court or other authority determines that any payments or benefits to be provided under the Eldh Severance Plan are subject to taxes, penalties or interest as a result of failing to comply with or be exempt from Code Section 409A.

8.2 Notwithstanding anything in the Eldh Severance Plan to the contrary, if any payment or benefit that constitutes non-exempt "deferred compensation" under Code Section 409A would otherwise be provided under the Eldh Severance Plan due to the Participant's separation from service during a period in which he is a "specified employee" (as defined in Code Section 409A and the associated final regulations), then, to the extent required by Code Section 409A, such payments or benefits will be delayed, to the extent applicable, until six months after the Participant's separation from service or, if earlier, the Participant's death (the "409A Deferral Period"). If such payments are otherwise due to be made in installments during the 409A Deferral Period, the payments that would otherwise have been made in the 409A Deferral Period will be accumulated and paid in a lump sum during the seventh month following the Participant's separation from service, and the balance of the payments will be made as otherwise scheduled. In the event benefits are required to be deferred, any such benefit may be provided during the 409A Deferral Period at the Participant's expense, with the Participant having the right to reimbursement from the Company once the 409A Deferral Period ends, and the balance of the benefits will be provided as otherwise scheduled.

8.3 With respect to any reimbursement or in-kind benefit arrangements of the Company that constitute deferred compensation for purposes of Code Section 409A, except as otherwise permitted by Code Section 409A, the following conditions shall be applicable: (i) the amount eligible for reimbursement,

or in-kind benefits provided, under any such arrangement in one calendar year may not affect the amount eligible for reimbursement, or in-kind benefits to be provided, under such arrangement in any other calendar year, (ii) any reimbursement must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit. Whenever payments under the Eldh Severance Plan are to be made in installments, each such installment shall be deemed to be a separate payment for purposes of Code Section 409A.

9. **Termination Procedures.** Any purported termination of a Participant's employment shall be documented in a writing appropriate to the nature of the termination from the party terminating the employment relationship to the other party:

(a) In the case of termination by the Company with Cause, the Company shall provide Participant with a written notice identifying (i) in reasonable detail the facts and circumstances giving rise to the determination that Cause exists, and (ii) the effective date of the termination of employment;

(b) In the case of a termination by the Participant for Good Reason, the Participant shall provide the Company with a written notice (the "Notice of Good Reason") stating (i) in reasonable detail the facts and circumstances giving rise to the determination that Good Reason exists, and (ii) the effective date of the termination of employment absent cure, as provided below, in compliance with the time period set forth in Section 1.17 herein; and

(c) In the case of all other terminations of employment, a document establishing the effective date of the termination of employment, in each case, subject to any other contractual obligations that may exist between the Company and the Participant. Under circumstances where the Participant will be eligible for payment and benefits under the terms of the Eldh Severance Plan (i.e., a termination by the Company without Cause), the document will confirm Participant's eligibility for these payments and benefits and summarize Participant's entitlements post-termination.

Notwithstanding the foregoing, in the case of a termination by the Participant with Good Reason, the Company shall have an opportunity to cure the circumstances giving rise to Good Reason as provided in Section 1.17 herein.

10. **No Mitigation.** No Participant shall be required to seek other employment or to attempt in any way to reduce or mitigate any benefits payable under this Eldh Severance Plan and the amount of any such benefits shall not be reduced by any other compensation paid or provided to any Participant following such Participant's termination of service, except as provided in Section 5.1(c)(iii) of the Eldh Severance Plan.

11. **Successors.**

11.1 Company Successors. This Eldh Severance Plan shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall, unless the Participant otherwise consents, assume and agree to perform the obligations of the Company with respect to the Participant under this Eldh Severance Plan.

11.2 Participant Successors. This Eldh Severance Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If a Participant shall die while any amount remains payable to such Participant hereunder, all such amounts shall be paid in accordance with the terms of this Eldh Severance Plan to the executors, personal representatives or administrators of such Participant's estate.

12. **Notices.** All communications relating to matters arising under this Eldh Severance Plan shall be in writing and shall be deemed to have been duly given when hand delivered, faxed, emailed or mailed by reputable overnight carrier or United States certified mail, return receipt requested, addressed, if to a Participant, to the address on file with the Company, and, if to the Company, to the address set forth below, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon actual receipt:

ScanSource, Inc.
6 Logue Court
Greenville, South Carolina 29615
Attention: General Counsel

13. **Claims Procedure.**

13.1 A committee (the "Plan Administrative Committee") appointed by the Company will review and authorize payment of benefits for Participants. After separation from the Company, questions regarding the payment of benefits under the Eldh Severance Plan should be directed to the Plan Administrative Committee.

If a Participant or the participant's legal representative or beneficiary (the "Claimant") feels he is not receiving benefits which are due under the Eldh Severance Plan, the Claimant should file a written claim for the benefits with the Plan Administrative Committee. A decision on whether to grant or deny the claim will be made within 90 days following receipt of the claim. If more than 90 days is required to render a decision, the Claimant will be notified in writing of the reasons for delay before the end of the initial 90-day period. In any event, however, a decision to grant or deny a claim will be made by not later than 180 days following the initial receipt of the claim.

If the claim is denied in whole or in part, the Claimant will receive a written explanation worded in a manner calculated to be understood by the Claimant and which shall set forth: (i) the specific reason or reasons for the denial; (ii) specific reference to pertinent provisions of the Eldh Severance Plan on which the denial is based; (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and (iv) an explanation of the procedure for review of the denial and the time limits applicable to such procedures.

If a Claimant wishes to appeal this denial, the Claimant may request a review of the denial in writing within 60 days after receipt of the notification of denial. The claim will then be fully and fairly reviewed by the Plan Administrative Committee, and the Claimant will receive written notice of the final decision within 60 days after the request for review. If more than 60 days is required to render a decision, the Claimant will be notified in writing of the reasons for delay before the end of the initial 60-day period. In any event, however, the Claimant will receive a written notice of the final decision within 120 days after the request for review. Prior to the decision of the Plan Administrative Committee, the Claimant shall be given an opportunity to review pertinent documents and to submit issues and comments in writing. The decision on review shall set forth specific reasons for the decision, shall be written in a manner calculated to be understood by the Claimant, and shall cite specific references to the pertinent Eldh Severance Plan provisions on which the decision is based. The decision of the Plan Administrative Committee shall be final and conclusive.

13.2 In the event that a Claimant files a claim that can be construed as a claim for "disability benefits" within the meaning of Section 503 of ERISA and Section 2560.503-1 of the Labor Department's Regulations thereunder, the provisions of Section 13.1 shall be modified to the extent necessary to comply with such Regulations (as the same may be amended from time to time) and the provisions of this Section 13.2.

Any review of an appeal of a determination with respect to the Participant's Disability must meet the following standards: the review must not afford deference to the initial adverse determination; the review must be conducted by an appropriate person who is neither the party who made the initial adverse benefit determination that is the subject of the appeal nor a subordinate of such party; the review must provide for the appropriate person to consult with health care professionals with appropriate training and experience in the field of medicine involved in the medical judgment in deciding the appeal of an adverse benefit determination that is based in whole or in part on a medical judgment; and the review must provide for the identification of the medical or vocational experts whose advice was obtained in connection with the Claimant's adverse benefit determination, without regard to whether the advice was relied upon in making the determination. Furthermore, the 90-day period described in Section 13.1 shall be reduced to 45 days in the case of a claim of the Participant's Disability. The 45-day period may be extended by 30 days if the Plan Administrative Committee determines the extension is necessary to circumstances outside the control of the Eldh Severance Plan, and the Claimant is notified before the end of the initial 45-day period. If prior to the end of the 30-day extension period, the Plan Administrative Committee determines that additional time is necessary, the period may be extended for a second 30-day period, provided the Claimant is notified before the end of the first 30-day extension period and such notice specifies the circumstances requiring the extension and the date as of which the Eldh Severance Plan expects to render a decision. The 60-day period described in Section 13.1 shall be reduced to 45 days with respect to the appeal of the denial of the Participant's claim of Disability. The 45-day period may be extended by an additional 45 days if the Plan Administrative Committee determines the extension is necessary due to circumstances outside the control of the Eldh Severance Plan, and the Claimant is notified before the end of the initial 45-day period.

13.3 The exhaustion of these claims procedures is mandatory for resolving every claim and dispute arising under the Eldh Severance Plan. As to such claims and disputes:

(a) no Claimant shall be permitted to commence any legal action to recover benefits or to enforce or clarify rights under the Eldh Severance Plan under Section 502 or Section 510 of ERISA or under any other provision of law, whether or not statutory, until these claims procedures have been exhausted in their entirety; and

(b) in any such legal action, all explicit and implicit determinations by the Plan Administrative Committee (including, but not limited to, determinations as to whether the claim, or a request for a review of a denied claim, was timely filed) shall be afforded the maximum deference permitted by law.

14. **Additional Plan Provisions.**

14.1 No Right to Continued Employment or Service; At-Will Employment. Nothing contained in this Eldh Severance Plan shall (i) confer upon any Participant any right to continue as an employee of or in service to the Company or to hold any specific position or be employed or in service at any specific level, (ii) constitute any contract of employment or service or agreement to continue employment or service for any particular period, or (iii) interfere in any way with the right of the Company to terminate an employment or service relationship with any Participant, with or without Cause, at any time for any reason or for no reason. The Eldh Severance Plan does not alter the status of each Participant as an at-will employee of the Company.

14.2 Termination and Amendment of Plan; Waiver.

(a) The Committee and/or the Board may, in its or their sole discretion, terminate or amend this Eldh Severance Plan at any time; provided that no Eldh Severance Plan termination or amendment shall materially adversely affect the rights of the Participant as of the date immediately preceding the effective date of any such Eldh Severance Plan amendment or termination with respect to such Participant's Severance Benefits without such Participant's written consent. Furthermore, no Eldh Severance Plan termination or amendment occurring after a

Participant's termination of employment shall materially adversely affect the rights or entitlements of that Participant with respect to such Participant's Severance Benefits without the Participant's consent.

(b) Notwithstanding anything in the Eldh Severance Plan to the contrary, the Company may amend the Eldh Severance Plan, to take effect retroactively or otherwise, as deemed necessary or advisable to comply with Applicable Law or changes to Applicable Law (including, but not limited to, Code Section 409A). By participating in this Eldh Severance Plan, Participant shall be deemed to have acknowledged and agreed to any amendment made pursuant to this Section 14.2(b) without further consideration or action.

(c) The Company's failure to enforce any Eldh Severance Plan provision(s) will not in any way be construed as a waiver of any such provision(s), nor prevent the Company from thereafter enforcing each and every other Eldh Severance Plan provision.

14.3 Withholding. The Company shall have the authority and the right to deduct and withhold an amount sufficient to satisfy federal, state, local and foreign taxes required by law to be withheld with respect to any benefits payable under this Eldh Severance Plan.

14.4 Benefits Not Assignable. Except as otherwise provided herein or by Applicable Law, no right or interest of any Participant under the Eldh Severance Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Participant under the Eldh Severance Plan shall be liable for, or subject to, any obligation or liability of such Participant. When a payment is due under the Eldh Severance Plan to a Participant who is unable to care for his affairs, payment may be made directly to his legal guardian or personal representative.

14.5 Governing Law. This Eldh Severance Plan shall be construed and interpreted in accordance with the laws of the State of South Carolina without reference to the conflict of laws provisions thereof, to the extent not preempted by federal law, which shall otherwise control.

14.6 Validity. The invalidity or unenforceability of any provision of this Eldh Severance Plan shall not affect the validity or enforceability of any other provision of this Eldh Severance Plan, which shall remain in full force and effect.

14.7 Captions. The captions contained in this Eldh Severance Plan are for convenience only and shall have no bearing on the meaning, construction or interpretation of the Eldh Severance Plan's provisions.

14.8 Expenses. The expenses of administering the Eldh Severance Plan shall be borne by the Company.

14.9 Unfunded Plan. The Eldh Severance Plan is intended to be an "unfunded" plan for severance benefits. Nothing contained in the Eldh Severance Plan shall give the Participant or other person any right, title or interest in any property of the Company or any rights that are greater than those of a general unsecured creditor of the Company, nor shall it create any trust or fiduciary relationship.

14.10 Non-Duplication of Benefits. Notwithstanding anything to the contrary herein, by participating in the Eldh Severance Plan, a Participant shall be deemed to have acknowledged and agreed that his receipt of benefits under the Eldh Severance Plan is in lieu of any similar benefits under any other Company severance plan, policy or arrangement and that he shall not be entitled to duplicative benefits under both the Eldh Severance Plan and any other Company plan, policy or arrangement.

14.11 Arbitration. Following exhaustion of the administrative review of claims procedure herein, a Participant shall be required (in lieu of litigation) to have any dispute or controversy arising under or in connection with this Eldh Severance Plan settled by final and binding arbitration administered by the American Arbitration Association (“AAA”) under its National Rules for the Resolution of Employment Disputes and the Federal Arbitration Act, 9 U.S.C. §1, et seq. subject to the following: (a) such arbitration shall take place in Greenville, South Carolina; (b) the provisions of the Eldh Severance Plan shall be construed, administered and enforced according to the Employee Retirement Income Security Act (“ERISA”); (c) such arbitration shall be arbitrated by one (1) neutral arbitrator with at least ten (10) years of ERISA litigation experience and chosen from the AAA Roster of Neutral Arbitrators; (d) either party may seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the establishment of the arbitral tribunal; (e) the arbitrator’s standard of review shall be exclusively one of abuse of discretion and the arbitrator shall be limited to the factual determination of the plan administrator; (f) no discovery shall be allowed and review of the case shall be limited to abuse of discretion; (g) the arbitration will be based on the submission of documents and there shall be no in-person or oral hearing; (h) the award shall be issued within seven (7) months of the filing of the notice of intention to arbitrate and the arbitrator shall agree to comply with this schedule before accepting appointment; (i) except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties; (j) the arbitrator shall have authority only to award remedies recoverable under ERISA; (k) each party shall bear its own costs and expenses and the Company shall bear the arbitrator’s and administrative fees of arbitration; and (l) judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

14.12 Clawback; Stock Ownership and Retention Policy. By participating in the Eldh Severance Plan, a Participant shall be deemed to have acknowledged and agreed that he shall be subject to and will comply with the Company’s Compensation Recovery Policy and the Company’s Long Term Incentive Plan (2013 LTIP) Stock Ownership and Retention Policy, each as may be revised or amended from time to time and if and as applicable to the Participant.

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

14.14 Effect on Other Plans, Agreements and Benefits. Any severance benefits payable to a Participant under the Eldh Severance Plan will not be counted as compensation for purposes of determining benefits under any other benefit policies, plans or arrangements of the Company, except to the extent expressly provided herein or as otherwise determined by the Committee.

SCANSOURCE, INC.

By: /s/ Mike Baur
Its: Chief Executive Officer

PARTICIPANT:

/s/ John C. Eldh
John C. Eldh

**ScanSource, Inc.
Eldh Severance Plan
Participation Agreement**

Mr. John Eldh
1 Fieldcrest Road
Westport, CT 06880

Re: ScanSource, Inc. Severance Plan Severance Plan for John Eldh (“Eldh Severance Plan”)

Dear John:

This Participation Agreement (this “**Agreement**”) is made and entered into by and between **John Eldh** and ScanSource, Inc. (the “**Company**”).

The Company has approved the Eldh Severance Plan (as it may be amended and/or restated, the “**Plan**”) in order to provide selected eligible executive officers with the opportunity to receive severance and other benefits in the event of certain terminations of employment and to attract and retain qualified executive officers.

A participant in the Plan is eligible to receive severance and other benefits if his or her employment is terminated under certain circumstances, as described in the Plan.

The Company has selected you to be a participant (the “**Participant**” or “**you**”) in the Plan, subject to the terms and conditions set forth in this Agreement and the Plan. A copy of the Plan has been provided to you and this Agreement is deemed to be part of the Plan. Unless otherwise defined herein, any capitalized terms used in this Agreement shall have the meanings set forth in the Plan.

In consideration of the mutual covenants contained herein and in the Plan, the Participant and the Company hereby agree as follows:

1. Your Severance Multiple shall be **1.5**.

2. Your Change in Control Multiple shall be **2.0**.

3. You further agree to be bound by the terms of the Plan, including but in no way limited to the restrictive covenants, arbitration and other provisions set forth in the Plan, and the right of the Company to cease payments and/or recover payments in the event that you breach or threaten to breach such restrictive covenants or as otherwise provided in the Plan. You also hereby consent and agree that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, and not in lieu of, legal remedies, monetary damages or other available forms of relief.

4. You agree that the Plan contains all of the understandings and representations between you and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. You also agree that, if you are entitled to receive severance benefits under the Plan, then you shall not be entitled to receive severance benefits under any other severance plan, employment agreement, employment letter or other plan, agreement or arrangement maintained by the Company, as such plan, agreement or arrangement may be amended from time to time, and you hereby waive any right to such benefits.

You acknowledge and agree that you have fully read, understand and voluntarily enter into the Agreement. You acknowledge and agree that you have received a copy of the Plan and have had an opportunity to consult with your personal tax or financial planning advisor and/or attorney about the tax, financial and legal consequences of your participation in the Plan before signing this Agreement.

This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. The Agreement may be amended as provided in the Plan.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Company has executed this Agreement by its duly authorized officer as of the date set forth below. Please sign below and return the Agreement to the Company's Senior Executive Vice President, Worldwide Human Resources at 6 Logue Court, Greenville, SC 29615.

Very truly yours,
ScanSource, Inc.

By: /s/ Michael Baur
Name: Michael Baur
Title: CEO

By my signature below, I accept my designation as a Participant in the Plan and agree to be bound by and subject to the terms and conditions of this Agreement and the Plan, including but in no way limited to the restrictive covenants, arbitration provisions and other terms set forth in the Plan.

PARTICIPANT:

By: /s/ John C. Eldh
Name: John Eldh
Title: Chief Revenue Officer and Sr. Exec. VP
Date: 10/02/19

THIS AGREEMENT IS SUBJECT TO ARBITRATION PURSUANT TO S.C. CODE ANN. § 15-48-10, et seq., THE SOUTH CAROLINA UNIFORM ARBITRATION ACT

SENT VIA E-MAIL
Rachel Hayden
1789 Deer Run Road
Bethlehem, PA 18015

May 6, 2021

Dear Rachel:

On behalf of ScanSource, Inc. (the “Company”), I am pleased to confirm our offer of employment to you for the position of Senior Executive Vice President and Chief Information Officer (“CIO”). I believe you will find it to be both challenging and rewarding and we look forward to having you as a critical member of the team.

Your first day will be on June 7, 2021 (the “Effective Date”). Prior to that date we will send you a Welcome Packet from our Human Resources Team. The packet provides general information on the benefit programs offered by the Company. Your benefits are further discussed below and will be explained in more detail on your first day, but if you have questions in the meantime please call John at 864-286-4379.

1. Certain Employment Terms. You will assume your role as CIO and may serve as an officer and/or director of one or more of the Company’s subsidiaries or other affiliates if and as directed by the Board. Your position is a full-time position and you will be expected to devote your full business time and attention to the performance of your duties and responsibilities in the position(s) described above. You will report to the Chief Executive Officer. Your employment will be for no set duration. You will be an at-will employee, which means that either the Company or you may terminate the employment relationship at any time, for any reason or no reason, with or without cause, subject to the severance plan benefit opportunities referenced in Section 7 of this Letter Agreement. Although your position will require travel, your principal place of employment will be at the Company’s headquarters in Greenville, South Carolina. You are authorized to join up to a total of two non-competing public and/or private corporation boards of directors, subject to prior notice to and approval by the Board.

2. Base Salary. Your annual base salary as of the Effective Date in your role as CIO will be \$350,000, paid in accordance with the Company’s payroll practices (every two weeks by direct deposit) pro-rated for any partial year, and less applicable taxes and withholdings. Your salary will be subject to annual review by the CEO but shall not be subject to decrease without your consent.

3. Bonuses. You will be eligible to participate in the Company’s cash-based variable compensation incentive plan (the “Bonus Plan”), which runs on our fiscal year (July 1–June 30). Your target annual bonus opportunity shall be equal to 60% of base salary (\$210,000), and your maximum annual bonus opportunity shall not exceed 200% of your target (\$420,000). Thereafter, your target and maximum short-term incentive opportunities shall be subject to periodic review, provided that you will be eligible to participate in the Bonus Plan at a level commensurate with the level of participation of other senior executive officers of the Company. Bonuses, if any, will be prorated for any partial years, based on actual performance. The performance measures and goals applicable to your annual bonus opportunity (for any year) shall be established by the CEO, and the CEO shall have the discretion to determine if, and the extent to which, any such measures and goals have been met and the bonus has been earned. While it is generally anticipated that your annual short-term incentive opportunities will be maintained, your participation in the Bonus Plan does not constitute a promise of payment. Your actual incentive payout, if any, will depend on the Company’s financial and business performance and/or the CEO’s assessment of your individual performance, and will be subject to the terms and conditions of the Bonus Plan. Any bonus payment made to you under the Bonus Plan will be paid to you in accordance with Treasury Reg. Section 1.409A-1(b)(4) or shall otherwise be made in a manner intended to be exempt from, or to comply with, Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

4. **New Hire Equity Grant.** Upon hire you will receive a one-time grant of restricted stock units having a value of \$275,000 on the date of grant, that will vest over three years (34%, 33%, 33%) at the end of each anniversary of your employment date and shall be subject to the terms of the Stock Plan and award agreement in the form established by the Compensation Committee, as well as the terms of the Company's Equity Award Grant Policy.

5. **Cash Bonus.** You will be paid a cash bonus of \$200,000 to offset the bonus you are leaving behind at your prior Company. This \$200,000 will be paid as follows: thirty days (30) after your start date you will be paid a cash bonus of \$100,000. In addition, ninety (90) days after your start date you will be paid an additional cash bonus of \$100,000. These awards will only be earned if you are an employee of the Company on the date they are earned (i.e. 30 days and 90 days from your start date, respectively). If you voluntarily terminate your employment with the Company within one year of hire you shall repay to the Company any amounts paid to you under this Section 5 shall. These awards, if earned, will be paid through the Company's regular payroll.

6. **Long-Term Incentive Awards.** You will be eligible to participate in and receive awards under any long-term incentive plan or program of the Company that is in place from time to time in which other senior executive officers of the Company participate. The amount, form and vesting and other terms and conditions of such awards will be reviewed and established periodically by the Compensation Committee of the Board of Directors, but it is expected that you will be granted equity awards in the normal course of business at a level commensurate with the level of equity awards granted to other senior executive officers of the Company. For the Company's annual equity grant for fiscal 2022 (expected to be awarded in November 2021), you will be considered for inclusion at a grant value of \$350,000 on the date of grant, and for subsequent annual equity grants you will be considered for inclusion at a grant value of \$350,000 on the date of grant, all subject to Compensation Committee discretion. Equity awards will be subject to performance and/or service conditions and of type(s) (options, restricted awards, performance awards) determined by the Compensation Committee in its discretion and shall be subject to the terms of the Company's 2013 Long-Term Incentive Plan (as it may be amended, and any successor plan thereto, the "Stock Plan"), Equity Award Grant Policy, and award agreement(s) in form(s) established by the Compensation Committee.

7. **Severance Benefits; Restrictive Covenants.** You will be eligible to participate in the Company's Severance Plan (the "Severance Plan") following the Effective Date, subject to the terms of such plan and the Company's right to modify or terminate such plan. Subject to the terms of the Severance Plan, you will be eligible for severance benefits equal to 1.5 times your three-year average annual (a) base salary and (b) variable compensation (as defined in the Severance Plan) upon termination by the Company without cause or by you for Good Reason (as such terms are defined in the Severance Plan), or 2.0 times your three-year average annual base salary and variable compensation in the event of a non-cause termination by the Company or your termination for good reason within 12 months after or prior to and otherwise in contemplation of a change in control (as defined in the Severance Plan). Without limiting the effect of the foregoing, the treatment of any equity awards upon such a qualifying termination will be subject to the terms of the Stock Plan and related award agreements. In addition, you will be subject to certain non-competition, non-solicitation, confidentiality and other restrictive covenants (collectively, the "Restrictive Covenants"), as provided in the Severance Plan; your entitlement to benefits under the Severance Plan and this Letter Agreement shall be subject to your compliance with the Restrictive Covenants. Notwithstanding the foregoing, (i) nothing in this Letter Agreement or other agreement prohibits you from reporting possible violations of law or regulation to any federal, state or local governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress and any agency Inspector General (the "Government Agencies"), or communicating with Government Agencies or otherwise participating in any investigation or proceeding that may be conducted by Government Agencies, including providing documents or other information, (ii) you do not need the prior authorization of the Company to take any action described in (i), and you are not required to notify the Company that you have taken any action described in (i); and (iii) this Letter Agreement does not limit your right to receive an award for providing information relating to a possible securities law violation to the Securities and Exchange Commission. Further, notwithstanding the foregoing, you will not be held criminally or civilly liable under any federal, state or local trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected

violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

8. Health and Welfare Benefits. The Company provides a comprehensive package of benefits, including medical and prescription drug coverage, dental coverage, vision coverage, life insurance, short- and long-term disability insurance and other offerings. Provided you are an eligible employee as defined under each of the Company's health and welfare benefits plan(s), you will be eligible to participate in such plan(s), subject to the applicable terms of such plan(s) and the Company's right to modify or terminate such plans.

9. 401(k) Savings Plan. You will be eligible to participate in the Company-sponsored 401(k) savings plan, subject to the terms of such plan and the Company's right to modify or terminate such plan. The Company may in its discretion match a portion of your contributions in accordance with the applicable plan provisions. Eligibility requirements and conditions of enrollment and coverage are subject to change and are set forth in the applicable plan documents.

10. Deferred Compensation. You will be eligible to participate in the Company's Nonqualified Deferred Compensation Plan, subject to the plan's terms and conditions and the Company's right to modify or terminate such plan. You shall be eligible to participate by deferring up to 50% of base pay and 100% of incentive pay, with a match of 30% of deferred amounts being made by the Company on the first 15% of pay.

11. Vacation. You will be entitled to no less than twenty-one (21) paid time off (PTO) days per calendar year, subject to the terms of the Company's vacation policy. The Company also currently offers eight (8) paid holidays.

12. Relocation Benefits. This position is based in Greenville, South Carolina, and the Company expects that you will relocate to the Greenville area within 12 months of hire. In connection with your relocation, the Company will pay you a lump sum of \$100,000, which is to be used for temporary housing, packing, moving, and unpacking of your household good, closing costs, and incidentals associated with your move.

13. Business Travel; Reimbursements. You will be expected to travel in connection with your employment. The Company will reimburse you for reasonable business expenses incurred in connection with your employment, upon presentation of documentation in accordance with the Company's applicable expense reimbursement policies for senior management. All expenses eligible for reimbursement in connection with your employment with the Company must be incurred by you during the term of your employment or service to the Company. The amount of reimbursable expenses incurred in one taxable year shall not affect the expenses eligible for reimbursement in any other taxable year. In no event shall any reimbursement be paid after the last day of your taxable year following the taxable year during which the expense was incurred. No right to reimbursement is subject to liquidation or exchange for other benefits.

14. Withholding and Taxes. All amounts payable or that become payable under this Letter Agreement will be subject to any deductions and withholdings previously authorized by you or required by law. You will be responsible for any and all taxes resulting from the benefits provided under this Letter Agreement. The Company makes no undertakings regarding, and has no obligation to achieve, any certain tax results for you related to the benefits provided herein.

15. Waiver and Release. You acknowledge and agree that the Company may at any time require, as a condition to receipt of certain benefits payable under this Letter Agreement, the Severance Plan or other plan, agreement or arrangement, that you (or a representative of your estate) execute a waiver and release discharging the Company and its subsidiaries, and their respective affiliates, and its and their officers, directors, managers, employees, agents and representatives and the heirs, predecessors, successors and assigns of all of the foregoing, from any and all claims, actions, causes of action or other liability, whether known or unknown, contingent or fixed,

arising out of or in any way related to your employment, or the ending of your employment with the Company or the benefits thereunder, including, without limitation, any claims under this Letter Agreement or other related instruments. The waiver and release will be in a form determined by the Company and shall be executed prior to the expiration of the time period provided for payment of such benefits and at such time as will not result in any compensation or benefits payable under this Letter Agreement otherwise failing to be exempt from or comply with Section 409A of the Code.

16. Amendment and Termination; Entire Agreement; Consideration. This Letter Agreement may be amended or terminated by a written agreement between you and the Company, with the Chief Executive Officer acting on behalf of the Company. Except for the Severance Plan and Stock Plan (and related participation and award agreements), this Letter Agreement contains the entire agreement of you and the Company related to the subject matter hereof and supersedes all prior verbal or written discussion, agreements and understandings with respect to such subject matter, and you and the Company have made no agreements, representations or warranties related to the subject matter of this Letter Agreement that are not set forth herein. Your entering into this Letter Agreement does not violate any other agreements or obligations. You further acknowledge that you are receiving valuable consideration in exchange for agreeing to the terms of this Letter Agreement.

17. Compliance with Code Section 409A; Recoupment, Ownership and Other Policies or Agreements. You and the Company agree that you both will cooperate in good faith so that no compensation paid to you by the Company under this Letter Agreement will violate Code Section 409A and the regulations promulgated thereunder. In case any one or more provisions of this Letter Agreement fail to comply with the provisions of Code Section 409A, the remaining provisions of this Letter Agreement shall remain in effect, and this Letter Agreement shall be administered and applied as if the non-complying provisions were not part of this Letter Agreement. The parties in that event shall endeavor to agree upon a reasonable substitute for the non-complying provisions, to the extent that a substituted provision would not cause this Letter Agreement to fail to comply with Code Section 409A, and, upon so agreeing, shall incorporate such substituted provisions into this Letter Agreement. A termination of your employment hereunder shall not be deemed to have occurred for purposes of any provision of this Letter Agreement providing for the payment of any amount or benefit constituting “deferred compensation” under Code Section 409A upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Letter Agreement, references to a “termination,” “termination of employment” or like terms shall mean “separation from service.” In the event that any payment or benefit made hereunder or under any compensation plan, program or arrangement of the Company would constitute payments or benefits pursuant to a non-qualified deferred compensation plan within the meaning of Code Section 409A and, at the time of your “separation from service” you are a “specified employee” within the meaning of Code Section 409A, then any such payments or benefits that are provided to you on account of your “separation from service” shall be delayed until the six-month anniversary of the date of your “separation from service” (such six month anniversary being the “Specified Employee Payment Date”). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date with interest and, thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If you die before the Specified Employee Payment Date, any delayed payments shall be paid to your estate in a lump sum within 30 days of your death. Each payment made under this Letter Agreement shall be designated as a “separate payment” within the meaning of Code Section 409A. You acknowledge and agree that in the event that this Letter Agreement or any benefit described herein shall be deemed not to comply with Code Section 409A, then neither the Company, the Board, the Compensation Committee nor its or their designees or agents shall be liable to you or other persons for actions, decisions or determinations made in good faith. Further, as a condition to entering into this Letter Agreement, you agree that you will abide by all provisions of any compensation recovery (“clawback”) policy, stock ownership guidelines, equity retention policy and/or other similar policies maintained by the Company, each as in effect from time to time and to the extent applicable to you from time to time. In addition, you will be subject to such compensation recovery, recoupment, forfeiture or other similar provisions as may apply at any time to you under applicable law.

18. Compensation and Benefit Plans Control. The Company’s benefit offerings and other terms and conditions of employment are subject to change or termination, with or without notice. In the event of

differences between any documents relating to compensation and benefits, the terms of the applicable plan or other document will control.

19. Governing Law; Successors and Assigns. This Letter Agreement will be governed by and construed in accordance with the laws of the State of South Carolina, without regard to the principles of conflict of laws, and in accordance with applicable U.S. federal law. The provisions, obligations and rights of this Letter Agreement will be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

20. Additional Terms. This offer of employment is made in reliance on your representation that there exists no conflict of interest or contractual or statutory obligation that would prevent you from becoming employed with the Company and performing duties as described in this Letter Agreement. You represent that you are legally eligible to work in the United States and you understand that a condition of your employment is that you furnish acceptable proof of such eligibility to the Company. You agree that you will not use trade secret or confidential information of any previous employer on behalf of the Company. You further represent that you will adhere to ethical business practices in performing your duties and there is no third party that has a financial interest or will receive monetary benefit from the performance of your duties.

[Rest of page intentionally blank; signature page follows]

[Signature page to Rachel Hayden letter dated May 6, 2021]

If the terms of this Letter Agreement are acceptable to you, please sign below and return it to the Company's Sr. Executive Vice President, Worldwide Human Resources, at your earliest opportunity.

Sincerely,

/s/ Mike Baur
Mike Baur
Chairman, President and CEO

I acknowledge receipt and acceptance of the offer of employment in this Letter Agreement. By my signature below, I accept all terms and conditions set forth above. As a condition of your employment, you will be required to separately sign the Company's Confidentiality, Non-compete, Non-solicitation, and IP Assignment agreement. In addition, I acknowledge and agree that, I will be employed on an at-will basis and that any change to that status may only be made through an agreement in writing signed by the Company.

Accepted: /s/ Rachel A. Hayden
Rachel Hayden

Date: 05/13/2021

**RESTRICTED STOCK UNIT AWARD CERTIFICATE
(Performance- and Service-Based)**

Non-transferable

GRANT TO

(the “Participant”)

by ScanSource, Inc. (the “Company”)

The Company hereby grants to Participant a performance-based and service-based Restricted Stock Unit (“RSU”) Award (the “Award”), which represents a contingent right to acquire shares of the Company’s common stock, no par value (the “Shares”). The Award is subject to the terms and conditions set forth in this Restricted Stock Unit Award Certificate (Performance- and Service-Based) (the “Award Certificate”), including Schedule A, which is attached hereto and expressly made a part of this Agreement, and the ScanSource, Inc. 2013 Long-Term Incentive Plan, as it may be amended and/or restated (the “Plan”), the terms of which are incorporated herein in their entirety.

Participant: [Insert Participant Name]

Award Date: [Insert Award Date]

Performance Cycle: July 1, 2021 to June 30, 2024

The actual number of Shares, if any, subject to the Award that may be earned shall be determined based on the attainment of the performance goals specified in Schedule A, as determined by the Compensation Committee (“Committee”) following the end of the Performance Cycle; provided, however, that no Shares shall vest and be distributable to the Participant unless the Participant is continuously employed by the Company from the Award Date until June 30, 2024 and the provisions of Section 2 of Schedule A are met, except as otherwise provided in Section 3 of the Award Certificate in the event of death, Disability or Retirement or in Section 4 of the Award Certificate in the event of a Change in Control.

The aggregate target number of RSUs for the Performance Cycle is [Insert Number] RSUs (the “Target RSUs”).

Number of Restricted Stock Units (“RSUs”):

The maximum number of RSUs that are eligible to be earned under the Award is between 0% and 200% of the Target RSUs for the Performance Cycle based on attainment of the performance goals specified in Schedule A, as determined by the Committee following the end of the Performance Cycle; provided, however, that no Shares shall vest and be distributable to the Participant unless the Participant is continuously employed by the Company from the Award Date until June 30, 2024 and the provisions of Section 2 of Schedule A are met, except as otherwise provided in Section 3 of the Award Certificate in the event of death, Disability or Retirement or in Section 4 of the Award Certificate in the event of a Change in Control.

IN WITNESS WHEREOF, ScanSource, Inc., acting by and through its duly authorized officers, has caused this Award Certificate to be executed effective as of the Award Date.

SCANSOURCE, INC.

By:

Its: Authorized Officer

Grant Date: (referred to herein as the “Award Date”):

AWARD CERTIFICATE TERMS AND CONDITIONS

1. Grant of Award. ScanSource, Inc. (the “Company”) hereby grants to the Participant named on Page 1 hereof (the “Participant”), subject to the restrictions and the other terms and conditions set forth in the ScanSource, Inc. 2013 Long-Term Incentive Plan, as it may be amended and/or restated (the “Plan”), and in this Award Certificate, a performance- and service-based Restricted Stock Unit Award (the “Award”) for up to the number of Shares indicated on Schedule A, which is attached hereto and expressly made a part of this Award Certificate. For the purposes herein, the Shares subject to the Award are units that will be reflected in a book account maintained by the Company and that will be settled in Shares if and only to the extent permitted under the Plan and this Award Certificate. Prior to issuance of any Shares upon vesting and payment of the Award, the Award shall represent an unsecured obligation of the Company, payable (if at all) only from the Company’s general assets. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. Vesting and Earning of the Award. The number of Shares subject to the Award that may be earned during the Performance Cycle will be determined by the Committee following the end of the Performance Cycle, as provided in Schedule A; provided, however, that (except as otherwise provided in Section 3 or Section 4 below), the Award shall not vest, in whole or in part, and the Participant shall not be entitled to any of the Shares (that is, Shares subject to the Award shall remain subject to forfeiture), unless the Participant remains continuously employed by the Company from the Award Date until June 30, 2024. The Committee has sole discretion to determine if and the extent to which the Award has become earned and vested. One Share of Stock will be issuable for each RSU that is earned and vests. RSUs that have been earned and become vested are referred to herein as “Vested RSUs.” RSUs that have not become earned and vested and remain subject to forfeiture are referred to herein as “Unvested RSUs.” The Unvested RSUs and Vested RSUs are collectively referred to herein as the “RSUs.” The Award will terminate and the Unvested RSUs will be subject to forfeiture upon termination of the Participant’s employment as set forth in Section 3.

3. Effect of Termination; Forfeiture.

(a) If the Participant’s employment with the Company terminates for any reason prior to June 30, 2024 other than as set forth in Section 3(b) or Section 4 below, then the Participant shall forfeit all of the Participant’s right, title and interest in the Award (and the underlying Shares), to the extent not vested and earned as of the date of the Participant’s termination of employment, and such Unvested RSUs shall revert to the Company (without the payment by the Company of any consideration for such Shares) immediately following the event of forfeiture.

(b) Notwithstanding the provisions of Section 2, Schedule A and Section 3(a) herein, the Award shall be deemed earned and vested on the earliest to occur of the following:

(i) Upon the termination of the Participant’s employment due to death or Disability prior to June 30, 2024, (A) the Award shall be deemed earned as if the goal(s) for the Performance Cycle had been met at target and the earned RSUs will vest as of the termination of the Participant’s employment with the Company due to death or Disability, if the termination of the Participant’s employment occurs prior to completion of the Performance Cycle, or (B) the Award shall vest, with respect to the previously-earned RSUs, as of the termination of the Participant’s employment with the Company due to death or Disability, if the termination of the Participant’s employment occurs after completion of the Performance Cycle.

(ii) Upon the termination of the Participant’s employment due to Retirement prior to June 30, 2024, the Participant shall be paid a pro rata award based on the number of completed days in service from the Award Date until June 30, 2024, (A) based on actual performance through the date of termination of the Participant’s employment, if the termination of the Participant’s employment occurs prior to completion of the Performance Cycle, or (B) with respect to previously-earned RSUs, if the termination of the Participant’s employment occurs after completion of the Performance Cycle.

(c) Any amounts payable as provided herein shall be paid as described in Section 6.

(d) For clarification, for the purposes of this Section 3, “Retirement” and “Cause” shall have the meaning given such terms in the Plan, and “Disability” shall have the meaning given such term in the Plan, except that the phrase “12

months” shall be replaced by the phrase “six months”. For purposes of this Award, termination of employment will be construed consistent with a separation from service within the meaning of Section 409A of the Code.

4. Effect of Change in Control. In the event of a Change in Control prior to June 30, 2024:

(a) To the extent that the successor or surviving company in the Change in Control event does not assume or substitute for the Award (or in which the Company is the ultimate parent corporation and does not continue the Award) on substantially similar terms or with substantially equivalent economic benefits (as determined by the Committee) as Awards outstanding under the Plan immediately prior to the Change in Control event, the Award shall be deemed vested, earned and payable (A) based on attainment of the performance goal(s) at target with respect to the Performance Cycle that has not been completed as of the date of the Change in Control or (B) with respect to previously-earned RSUs if the Performance Cycle has been completed by the time of the date of the Change in Control, provided the Participant remains continuously employed by the Company from the Award Date until the time of the Change in Control.

(b) The Award will nonetheless become vested, earned and payable as provided herein if the employment of the Participant is terminated by the Company or the Participant in contemplation of a Change in Control (whether or not the Change in Control is consummated) or, in the event that the Award is substituted, assumed or continued in connection with a Change in Control, within one year after the effective date of a Change in Control, in either event prior to June 30, 2024, if such termination of employment (X) is by the Company not for Cause or (Y) is by the Participant for Good Reason. In such event, the Award shall be deemed vested, earned and payable (i) (A) based on actual performance through the date of termination of the Participant’s employment if the employment of the Participant is terminated by the Company or the Participant in contemplation of a Change in Control (whether or not the Change in Control is consummated) and prior to completion of the Performance Cycle, or (B) with respect to previously-earned RSUs, if the employment of the Participant is terminated by the Company or the Participant in contemplation of a Change in Control (whether or not the Change in Control is consummated) and after completion of the Performance Cycle, and (ii) (A) as if the performance goal(s) had been met at target with respect to the Performance Cycle that has not been completed as of the date of the Change in Control if the employment of the Participant is terminated by the Company or the Participant within one year after the effective date of a Change in Control or (B) with respect to previously-earned RSUs with respect to the Performance Cycle that has been completed as of the date of the Change in Control if the employment of the Participant is terminated by the Company or the Participant within one year after the effective date of the Change in Control. The employment of the Participant will be deemed to have been terminated in contemplation of a Change in Control if the Participant’s employment terminates at any time during which (i) the Company has initiated a transaction process or is engaged in discussions with a third party about a specific transaction that, if consummated, would result in a Change in Control (and before complete abandonment of such discussions without the transaction being consummated) or (ii) the Company has become a party to a definitive agreement to consummate a transaction that would result in a Change in Control (and before complete termination of such agreement without the transaction being consummated).

(c) Any amounts payable as provided herein shall be paid as described in Section 6.

(d) For clarification, for the purposes of this Section 4, “Change in Control” and “Good Reason” shall have the meaning given such terms in the Plan.

5. Restrictions; Forfeiture. In addition to other terms and conditions stated in the Plan or this Award Certificate, the Award and the underlying Shares are subject to the following restrictions. No right or interest of the Participant in the Award, to the extent restricted, may be pledged, encumbered or hypothecated to or in favor of any party other than the Company or an Affiliate or shall be subject to any lien, obligation or liability of the Participant to any other party other than the Company or an Affiliate. Except as otherwise provided in the Plan, the Award shall not be transferable (including by sale, assignment, pledge or hypothecation) other than by will or the laws of intestate succession. Prior to vesting and payment, the Shares subject to the Award may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Except as may be otherwise provided in the Plan or this Award Certificate, if the Participant’s employment with the Company terminates for any reason (whether by the Company or the Participant and whether voluntary or involuntary) prior to June 30, 2024 other than as set forth in Section 3(b) or Section 4 herein, then the Participant shall forfeit all of the Participant’s right, title and interest in and

to the Award and the Shares to the extent the Award (and corresponding Shares) were not earned and vested as of the date the Participant's Continuous Status as a Participant terminated. The restrictions imposed under this Section 5 shall apply to all Shares or other securities issued with respect to Shares hereunder in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock of the Company.

6. Settlement of Award: Delivery of Shares. No certificate or certificates for the Shares shall be issued at the time of grant of the Award. A certificate or certificates for the Shares underlying the Award (or, in the case of uncertificated Shares, other written evidence of ownership in accordance with applicable laws) shall be issued in the name of the Participant (or his beneficiary) only in the event, and to the extent, that the Award has been earned and vested. Notwithstanding the foregoing, the following provisions shall apply: (a) except with respect to distributions following termination of employment (that is, a "separation of service" under Code Section 409A) due to death, Disability or Retirement or in contemplation of a Change in Control or within one year after the effective date of a Change in Control, any Shares or other benefits payable pursuant to the Award shall, upon the earning and vesting of the Award, be distributed to the Participant (or his beneficiary) after June 30, 2024 and within the 60 days following June 30, 2024 and upon the earning and/or vesting of the Award in connection with a Change in Control be distributed to the Participant (or his beneficiary) within the 60 days following the Change in Control; and (b) any distributions due to termination of employment as a result of death, Disability or Retirement or in contemplation of a Change in Control or within one year after the effective date of a Change in Control shall be paid within 60 days following the date of termination of employment (except as otherwise provided below with respect to a delay in payments if the Participant is a "specified employee"), and the Participant shall not have the right to designate the taxable year of the payment. Notwithstanding the foregoing, if the Participant is or may be a "specified employee" (as defined under Code Section 409A), and the distribution is due to separation from service, then such distribution shall be subject to delay as provided in Section 18.22 of the Plan (or any successor provision thereto) to the extent required by Section 409A of the Code.

7. Voting and Dividend Rights. The Participant shall not be deemed to be the holder of any Shares subject to the Award and shall not have any dividend rights, voting rights or other rights as a shareholder unless and until (and only to the extent that) the Award has become earned and vested and certificates for such Shares have been issued to him (or, in the case of uncertificated shares, other written evidence of ownership in accordance with applicable laws shall have been provided).

8. No Right of Continued Employment or to Future Awards. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company or any Affiliate to terminate the Participant's employment at any time, nor confer upon the Participant any right to continue in the employ of the Company or any Affiliate. The grant of the Award does not create any obligation to grant further awards.

9. Tax Matters. The Participant will, no later than the date as of which any amount related to the Shares first becomes includable in the Participant's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state, local and foreign taxes (including any Federal Insurance Contributions Act (FICA) taxes) required by law to be withheld with respect to such amount. The withholding requirement may be satisfied, in whole or in part, unless the Committee determines otherwise, by withholding from this Award Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Certificate will be conditional on such payment or arrangements, and the Company, or, where applicable, its Affiliates, will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. The Participant acknowledges that the Company has made no warranties or representations to the Participant with respect to the legal, tax or investment consequences (including but not limited to income tax consequences) related to the grant of the Award or receipt or disposition of the Shares (or any other benefit), and the Participant is in no manner relying on the Company or its representatives for legal, tax or investment advice related to the Award or the Shares. The Participant acknowledges that there may be adverse tax consequences upon the grant of the Award and/or the acquisition or disposition of the Shares (or other benefit) subject to the Award and that the Participant has been advised that he should consult with his or her own attorney, accountant and/or tax advisor

regarding the transactions contemplated by the Award and this Award Certificate. The Participant also acknowledges that the Company has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for the Participant.

10. Plan Controls; Entire Agreement; Amendment. The terms contained in the Plan are incorporated into and made a part of this Award Certificate and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative (unless the Committee determines otherwise). This Award Certificate, including Schedule A attached hereto, sets forth all of the promises, agreements, understandings, warranties and representations between the parties with respect to the Award. This Award Certificate may be amended as provided in the Plan.

11. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

12. Severability. If any one or more of the provisions contained in this Award Certificate is held to be invalid, illegal or unenforceable, the other provisions of this Award Certificate will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices and communications under this Award Certificate must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to ScanSource, Inc., 6 Logue Court, Greenville, SC 29615, Attn: Secretary, or any other address designated by the Company in a written notice to the Participant. Notices to the Participant will be directed to the address of the Participant then currently on file with the Company, or at any other address given by the Participant in a written notice to the Company.

14. Beneficiary Designation. The Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant hereunder and to receive any distribution with respect to the Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights hereunder is subject to all terms and conditions of this Award Certificate and the Plan and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, the Participant's rights with respect to the Award may be exercised by the legal representative of the Participant's estate, and payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by the Participant at any time provided the change or revocation is filed with the Company.

15. Compliance with Recoupment, Ownership and Other Policies or Agreements. As a condition to receiving the Award, the Participant agrees that he or she shall abide by all provisions of the Company's Stock Ownership and Retention Policy, Compensation Recovery Policy and/or other similar policies maintained by the Company, each as in effect from time to time and to the extent applicable to Participant from time to time. In addition, the Participant shall be subject to such compensation recovery, recoupment, forfeiture, or other similar provisions as may apply at any time to the Participant under Applicable Law.

SCHEDULE A

**SCANSOURCE, INC.
2013 LONG-TERM INCENTIVE PLAN
Restricted Stock Unit Award Certificate
(Performance-and Service-Based)**

This Schedule A sets forth the performance goals for the performance-based and service-based Restricted Stock Unit Award (the “Award”) under the ScanSource, Inc. 2013 Long-Term Incentive Plan, as it may be amended and/or restated (the “Plan”), evidenced by the Restricted Stock Unit Award Certificate (Performance-and Service-Based) (the “Award Certificate”) to which it is attached. Capitalized terms not expressly defined in this Schedule A but defined in the Plan or the Award Certificate shall have the same definitions as in the Plan and/or the Award Certificate, as applicable.

1. **Target RSUs:** The aggregate target number of RSUs for the Performance Cycle is: **[Insert Number]** RSUs (the “Target RSUs”). The maximum number of RSUs that are eligible to be earned under the Award is between 0% and 200% of the Target RSUs

2. **Applicable Performance Goals; Number of RSUs Earned:** The actual number of RSUs, if any, that shall be earned is based on the following formula:

The actual number of RSUs earned equals the sum (rounded down to the nearest whole share) of (i) the aggregate target number of the RSUs for the Performance Cycle multiplied by 50% of the Normalized EPS/TSR Modifier (as described below) achieved for the two (2)-year performance period beginning July 1, 2021 and ending June 30, 2023 and (ii) the aggregate target number of the RSUs for the Performance Cycle multiplied by 50% of the Adjusted ROIC Modifier (as described below) achieved for the three (3)-year performance period beginning July 1, 2021 and ending June 30, 2024; the total sum capped at no more than 200% of the aggregate target number of RSUs for the Performance Cycle.

3. **Determination of Normalized EPS/TSR Modifier:** The Normalized EPS/TSR Modifier will be determined from the chart below based on the total Normalized EPS achieved for the two (2)-year performance period beginning July 1, 2021 and ending June 30, 2023, as modified by the Relative TSR Modifier for the same performance period.

First, determine total Normalized EPS for the two (2)-year performance period beginning July 1, 2021 and ending June 30, 2023. If total Normalized EPS is below Threshold Normalized EPS, then the Normalized EPS/TSR Modifier will be zero (0). If total Normalized EPS is at Threshold Normalized EPS, then the Normalized EPS/TSR Modifier will be 50% multiplied by the Relative TSR Modifier. If total Normalized EPS is at Target Normalized EPS, then the Normalized EPS/TSR Modifier will be 100% multiplied by the Relative TSR Modifier. If total Normalized EPS is at or above Maximum Normalized EPS, then the Normalized EPS/TSR Modifier will be 200% multiplied by the Relative TSR Modifier. For Normalized EPS results between (i) threshold and target and (ii) target and maximum, the percentage will be calculated using interpolation.

The Relative TSR Modifier will be the percentage multiplier assigned to the Company’s TSR rank compared to the Company’s Peer Group (as set forth on Schedule B) for the performance period beginning July 1, 2021 and ending June 30, 2023. To determine such rank, the TSR of the Company and each company in the Peer Group will be determined and ranked for the performance period to determine the quartile which contains the Company. There will be no interpolation necessary to determine the Relative TSR Modifier.

For example, if total Normalized EPS for the performance period is at Target Normalized EPS and the Company’s TSR rank compared to its Peer group for the performance period is in the top quartile, then the Normalized EPS/TSR Modifier will be 100% multiplied by 125% to equal 125%.

	Normalized EPS		Relative TSR Modifier		
	Preliminary Unadjusted Payout		Bottom Quartile	Median (2nd and 3rd Quartile) Multiplier	Top Quartile
			75%	100%	125%
Internal Financial Performance Metric	Below Threshold	0%	0% (0% x 75%)	0% (0% x 100%)	0% (0% x 125%)
	Threshold	50%	37.5% (50% x 75%)	50% (50% x 100%)	62.5% (50% x 125%)
	Target	100%	75% (100% x 75%)	100% (100% x 100%)	125% (100% x 125%)
	Maximum	200%	150.0% (200% x 75%)	200% (150% x 100%)	Capped at 200% (200% x 125%)

4. Determination of Adjusted ROIC Modifier. The Adjusted ROIC Modifier will be determined from the chart below based on the Adjusted ROIC achieved for the three (3)-year performance period beginning July 1, 2021 and ending June 30, 2024.

First, determine Adjusted ROIC for the three (3)-year performance period beginning July 1, 2021 and ending June 30, 2024. If Adjusted ROIC is below Threshold Adjusted ROIC, then the Adjusted ROIC Modifier will be zero (0). If Adjusted ROIC is at Threshold Adjusted ROIC, then the Adjusted ROIC Modifier will be 50%. If Adjusted ROIC is at Target Adjusted ROIC, then the Adjusted ROIC Modifier will be 100%. If Adjusted ROIC is at or above Maximum Adjusted ROIC, then the Adjusted ROIC Modifier will be 200%. For Adjusted ROIC results between (i) threshold and target and (ii) target and maximum, the percentage will be calculated using interpolation.

Adjusted ROIC	Adjusted ROIC Modifier
Below Threshold	0%
Threshold	50%
2.5% plus WACC	
Target	100%
4.0% plus WACC	
Maximum	200%
6.0% plus WACC	

3. **Committee Certification:** Notwithstanding the foregoing, the Award shall not be deemed payable, in whole or in part, until the Committee's written certification regarding if and to the extent the applicable performance goals have been met.

4. **Definitions:** For purposes of this Schedule A, the following terms shall have the meanings set forth below:

"Adjusted ROIC" means the Company's average return on Invested Capital, determined by calculating the Company's return on invested capital for each quarter in the performance period, and then calculating the Company's average return on invested capital over the three (3)-year performance period beginning July 1, 2021 and ending June 30, 2024. Adjusted ROIC will be expressed as a percentage and determined as the Company's net income plus interest expense, income taxes, depreciation and amortization ("EBITDA"), plus other adjustments for non-GAAP measures, annualized and divided by Invested Capital for the period.

"Invested Capital" means the Company's average equity plus average daily funded interest-bearing debt for the period. Average funded debt includes both continuing and discontinued operations and is calculated as the average daily amounts outstanding on short-term and long-term interest-bearing debt.

"Normalized EPS" means the Company's Normalized Net Income divided by the number of shares of Company common stock outstanding as of June 30, 2021.

"Normalized Net Income" means the amount identified as the Company's aggregate earnings before tax achieved for the two (2)-year performance period beginning July 1, 2021 and ending June 30, 2023 multiplied by the percentage determined by subtracting the Company's Target Tax Rate from one.

"Peer Group" means the companies listed in Schedule B; provided, however, if any listed company experiences an acquisition, divestiture or other unexpected fundamental change in its business that is material taken as a whole such that it is no longer reasonably comparable to the Company, that company will be eliminated, and, in case of any such elimination, another company which is reasonably comparable to the Company shall replace the eliminated company (provided another such company exists). If another reasonably comparable company does not exist,

Schedule B will be adjusted to address any acquisition, divestiture or other unexpected fundamental change in the Peer Group taken as a whole.

“Target Tax Rate” means _____.

“TSR” means the company’s total shareholder return as calculated for the two (2)-year performance period beginning July 1, 2021 and ending June 30, 2023; expressed as a percentage, and including changes in Average Market Value (as hereinafter defined) of, and dividends or other distributions with respect to, the common stock of the company, and converted to an annual rate by dividing the calculated percentage for the specified period by the number of years and partial years for the performance period. TSR shall be determined as the sum of (1) the Ending Average Market Value (as hereinafter defined) reduced by the Beginning Average Market Value (as hereinafter defined) and (2) dividends or other distributions with respect to a share of the common stock of the company paid during the performance period (with such dividends and other distributions deemed reinvested in shares of common stock of the company based on the Market Share Price (as hereinafter defined) on the date of payment where not paid in shares of common stock of the company), and (3) with such sum being divided by the Beginning Average Market Value. TSR, including the value of reinvested dividends and other distributions, shall be determined on the basis of an appropriate total shareholder return model or such other authoritative source as the Committee may determine. For purposes of the foregoing determinations: (A) “Average Market Value” means the average of the closing price per share of company common stock as reported by NASDAQ, the NYSE, or other authoritative source as the Committee may determine for the applicable twenty (20) trading days beginning or ending on a specified date for which such closing price is reported by NASDAQ, the NYSE or other authoritative source as the Committee may determine; (B) “Beginning Average Market Value” means the Average Market Value based on the last twenty (20) trading days ending prior to the beginning of the Performance Period; (C) “Ending Average Market Value” means the Average Market Value based on the last twenty (20) trading days of the performance period; (D) “Market Share Price” means the closing price per share of company common stock as reported by NASDAQ, the NYSE or other authoritative source as the Committee may determine for the specified day (or the last preceding day thereto for which reported).

“WACC” means the Company’s weighted average cost of capital for the performance period.

SCHEDULE A

**SCANSOURCE, INC.
2013 LONG-TERM INCENTIVE PLAN
Restricted Stock Unit Award Certificate
(Performance-and Service-Based)**

Peer Group

Applied Optoelectronics, Inc.
ADTRAN, Inc.
Advanced Energy Industries, Inc.
Arlo Technologies, Inc.
Benchmark Electronics, Inc.
Badger Meter, Inc.
CalAmp Corp.
Comtech Telecommunications Corp.
PC Connection, Inc.
CTS Corporation
Daktronics, Inc.
Diebold Nixdorf, Incorporated
3D Systems Corporation
Digi International Inc.
Extreme Networks, Inc.
FARO Technologies, Inc.
Fabrinet
Harmonic Inc.
Itron, Inc.
Knowles Corporation
Methode Electronics, Inc.
Insight Enterprises, Inc.
NETGEAR, Inc.
OSI Systems, Inc.
ePlus inc.
Plexus Corp.
Plantronics, Inc.
Rogers Corporation
Sanmina Corporation
TTM Technologies, Inc.
Viavi Solutions Inc.

**RESTRICTED STOCK UNIT AWARD CERTIFICATE
(Service-Based)**

Non-transferable

GRANT TO

(the "Participant")

by ScanSource, Inc. (the "Company")

of the right to acquire _____ shares of its common stock, no par value (the "Shares")

pursuant to and subject to the provisions of the ScanSource, Inc. 2013 Long-Term Incentive Plan, as it may be amended and/or restated (the "Plan"), and to the terms and conditions set forth in this Award Certificate (the "Award Certificate"). This Award Certificate describes terms and conditions of the Restricted Stock Unit Award (the "Award") granted herein and constitutes an agreement between the Participant and the Company.

Unless vesting is accelerated in accordance with the Plan or the Award Certificate, the vesting restrictions imposed under Section 2 of the Award Certificate will expire with respect to the Award and the Shares subject to the Award ratably in four equal annual installments (25%-25%-25%-25%), commencing as of _____, 2022, provided that the Participant has been continuously employed by the Company from the Grant Date (as defined below) until each respective vesting date.

IN WITNESS WHEREOF, ScanSource, Inc., acting by and through its duly authorized officers, has caused this Award Certificate to be executed as of the Grant Date.

SCANSOURCE, INC.

By:

Its: Authorized Officer

Grant Date: (the "Grant Date"): _____

AWARD CERTIFICATE TERMS AND CONDITIONS

1. Grant of Award. ScanSource, Inc. (the “Company”) hereby grants to the Participant named on Page 1 hereof (the “Participant”), subject to the restrictions and the other terms and conditions set forth in the ScanSource, Inc. 2013 Long-Term Incentive Plan, as it may be amended and/or restated (the “Plan”), and in this Award Certificate, a Restricted Stock Unit Award (the “Award”) for the number of Shares indicated on Page 1 hereof of the Company’s common stock. For the purposes herein, the Shares subject to the Award are units that will be reflected in a book account maintained by the Company and that will be settled in shares of Stock if and only to the extent permitted under the Plan and this Award Certificate. Prior to issuance of any Shares upon vesting of the Award, the Award shall represent an unsecured obligation of the Company, payable (if at all) only from the Company’s general assets. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. Restrictions; Forfeiture. The Award and the underlying Shares are subject to the following restrictions. No right or interest of the Participant in the Award, to the extent restricted, may be pledged, encumbered or hypothecated to or in favor of any party other than the Company or an Affiliate or shall be subject to any lien, obligation or liability of the Participant to any other party other than the Company or an Affiliate. Except as otherwise provided in the Plan, the Award shall not be transferable (including by sale, assignment, pledge or hypothecation) other than by will or the laws of intestate succession. Prior to vesting, the Shares subject to the Award may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. Except as may be otherwise provided in the Plan or this Award Certificate, if the Participant’s employment with the Company terminates for any reason (whether by the Company or the Participant and whether voluntary or involuntary) other than as set forth in paragraphs (b) or (c) of Section 3 hereof, then the Participant shall forfeit all of the Participant’s right, title and interest in and to the Award and the Shares to the extent the Award (and corresponding Shares) are not vested as of the date the Participant’s Continuous Status as a Participant terminates. The restrictions imposed under this section shall apply to all Shares or other securities issued with respect to Shares hereunder in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock of the Company.

3. Expiration and Termination of Restrictions. The restrictions imposed under Section 2 will expire on the earliest to occur of the following (the period prior to such expiration being referred to herein as the “Restricted Period”):

(a) With respect to such ratable portion of the Shares as is specified on page 1 hereof, on each of the four annual vesting installment dates as specified on page 1 hereof, provided the Participant is still employed by the Company on each respective anniversary of the Grant Date and has been employed continuously since the Grant Date; or

(b) As to all of the Shares, upon the termination of the Participant’s employment (meaning a separation from service (as defined under Code Section 409A)) due to death, Disability or Retirement; or

(c) As to all of the Shares, in the event of a Change in Control, as follows:

(i) To the extent that the successor or surviving company in the Change in Control event does not assume or substitute for the Award (or in which the Company is the ultimate parent corporation and does not continue the Award) on substantially similar terms or with substantially equivalent economic benefits (as determined by the Committee) as Awards outstanding under the Plan immediately prior to the Change in Control event, any restrictions, including but not limited to the restriction period, applicable to the Award shall be deemed to have been met, and the Award shall become fully vested, earned and payable to the fullest extent of the original grant of the Award, provided the Participant remains employed by the Company from the Grant Date until the time of the Change in Control.

(ii) Further, the Award will nonetheless become vested in full if the employment or service of the Participant is terminated by the Company or the Participant in contemplation of a Change in Control (whether or not the Change in Control is consummated) or, in the event that the Award is substituted, assumed or continued as provided in Section 3(c)(i) herein, within one year after the effective date of a Change in Control, if such termination of employment or service (A) is by the Company not for Cause or (B) is by the Participant for Good Reason. The employment or service of the Participant will be deemed to have been terminated in contemplation of a Change in

Control if the Participant's employment or service terminates at any time during which (i) the Company has initiated a transaction process or is engaged in discussions with a third party about a specific transaction that, if consummated, would result in a Change in Control (and before complete abandonment of such discussions without the transaction being consummated) or (ii) the Company has become a party to a definitive agreement to consummate a transaction that would result in a Change in Control (and before complete termination of such agreement without the transaction being consummated).

(d) For clarification, for the purposes of this Section 3, "Retirement," "Cause" and "Good Reason" shall have the meaning given such term in the Plan, and "Disability" shall have the meaning given such term in the Plan, except that the phrase "12 months" shall be replaced by the phrase "six months".

4. Settlement of Award; Delivery of Shares. No certificate or certificates for the Shares shall be issued at the time of grant of the Award. A certificate or certificates for the Shares underlying the Award (or, in the case of uncertificated Shares, other written evidence of ownership in accordance with applicable laws) shall be issued in the name of the Participant (or his beneficiary) only in the event, and to the extent, that the Award has vested. Notwithstanding the foregoing, the following provisions shall apply: (a) except as provided under Section 4(b) herein or to the extent otherwise required or permitted under Code Section 409A, any Shares or other benefits payable pursuant to the Award shall, upon vesting of the Award, be distributed to the Participant (or his beneficiary) within 60 days after the date the Award vests; and (b) in the event that the Restriction Period ends (and the Award vests) due to a separation from service (as defined under Code Section 409A) due to death, Disability or Retirement or in contemplation of a Change in Control or within one year after the effective date of the Change in Control, then the Shares shall be delivered to the Participant (or his beneficiary) within 60 days after the end of the Restriction Period (provided that if such 60-day period begins in one calendar year and ends in another, the Participant (or his beneficiaries) shall not have the right to designate the calendar year of payment), and, provided, further, if the Participant is or may be a "specified employee" (as defined under Code Section 409A), and the distribution is due to separation from service, then such distribution shall be subject to delay as provided in Section 18.22 of the Plan (or any successor provision thereto).

5. Voting and Dividend Rights. The Participant shall not be deemed to be the holder of any Shares subject to the Award and shall not have any dividend rights, voting rights or other rights as a shareholder unless and until (and only to the extent that) the Award has vested and certificates for such Shares have been issued to him (or, in the case of uncertificated shares, other written evidence of ownership in accordance with applicable laws shall have been provided).

6. No Right of Continued Employment or to Future Awards. Nothing in this Award Certificate shall interfere with or limit in any way the right of the Company or any Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant any right to continue in the employ or service of the Company or any Affiliate. The grant of the Award does not create any obligation to grant further awards.

7. Tax Matters. The Participant will, no later than the date as of which any amount related to the Shares first becomes includable in the Participant's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state, local and foreign taxes (including any Federal Insurance Contributions Act (FICA) taxes) required by law to be withheld with respect to such amount. The withholding requirement may be satisfied, in whole or in part, unless the Committee determines otherwise, by withholding from this Award Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Award Certificate will be conditional on such payment or arrangements, and the Company, or, where applicable, its Affiliates, will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. The Participant acknowledges that the Company has made no warranties or representations to the Participant with respect to the legal, tax or investment consequences (including but not limited to income tax consequences) related to the grant of the Award or receipt or disposition of the Shares (or any other benefit), and the Participant is in no manner relying on the Company or its representatives for legal, tax or investment advice related to the Award or the Shares. The Participant acknowledges that there may be adverse tax consequences upon the

grant of the Award and/or the acquisition or disposition of the Shares (or other benefit) subject to the Award and that the Participant has been advised that he should consult with his or her own attorney, accountant and/or tax advisor regarding the transactions contemplated by the Award and this Award Certificate. The Participant also acknowledges that the Company has no responsibility to take or refrain from taking any actions in order to achieve a certain tax result for the Participant.

8. Plan Controls; Entire Agreement; Amendment. The terms contained in the Plan are incorporated into and made a part of this Award Certificate and this Award Certificate shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Award Certificate, the provisions of the Plan shall be controlling and determinative (unless the Committee determines otherwise). This Award Certificate sets forth all of the promises, agreements, understandings, warranties and representations between the parties with respect to the Award. This Award Certificate may be amended as provided in the Plan.

9. Successors. This Award Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Award Certificate and the Plan.

10. Severability. If any one or more of the provisions contained in this Award Certificate is held to be invalid, illegal or unenforceable, the other provisions of this Award Certificate will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

11. Notice. Notices and communications under this Award Certificate must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to ScanSource, Inc., 6 Logue Court, Greenville, SC 29615, Attn: Secretary, or any other address designated by the Company in a written notice to the Participant. Notices to the Participant will be directed to the address of the Participant then currently on file with the Company, or at any other address given by the Participant in a written notice to the Company.

12. Beneficiary Designation. The Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant hereunder and to receive any distribution with respect to the Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights hereunder is subject to all terms and conditions of this Award Certificate and the Plan and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, the Participant's rights with respect to the Award may be exercised by the legal representative of the Participant's estate, and payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by the Participant at any time provided the change or revocation is filed with the Company.

13. Compliance with Recoupment, Ownership and Other Policies or Agreements. As a condition to receiving the Award, the Participant agrees that he or she shall abide by all provisions of any equity retention policy, compensation recovery policy, stock ownership guidelines and/or other similar policies maintained by the Company, each as in effect from time to time and to the extent applicable to Participant from time to time. In addition, the Participant shall be subject to such compensation recovery, recoupment, forfeiture, or other similar provisions as may apply at any time to the Participant under Applicable Law.

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE “CONFIDENTIAL INFORMATION”) HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [***].**

INDUSTRIAL LEASE AGREEMENT

THIS LEASE AGREEMENT (the “Lease”) is made as of the “Lease Date” (as defined in Section 37 herein) by and between INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC., a Delaware corporation (“Landlord”), and 8650 Commerce Drive, LLC, a Mississippi limited liability company (“Tenant”) (the words “Landlord” and “Tenant” to include their respective legal representatives, successors and permitted assigns where the context requires or permits).

WITNESSETH:

1. Basic Lease Provisions. The following constitute the basic provisions of this Lease:

- (a) Demised Premises Address: 8650 Commerce Drive, Suite 100
Southaven, Mississippi 38671
- (b) Demised Premises Square Footage: approximately 592,956 sq. ft.
- (c) Building Square Footage: approximately 740,844 sq. ft.
- (d) Annual Base Rent:

Lease Year 1:
(Lease Year 1 consists of 12 months plus any Fractional Month)

(months 1 – [*****]) (\$[*****])

Months [*****] – 12
Based on a rental rate of \$[*****] per square foot per annum, [*****] \$[*****] (plus the prorated amount for any Fractional Month per Section 1(i) hereof, if applicable)

Lease Years 2-5: \$[*****]

Based on a rental rate of \$[*****] per square foot per annum.

Lease Years 6-10: \$[*****]

Based on a rental rate of \$[*****] per square foot per annum.

- (e) Monthly Base Rent Installments:

Lease Year 1 (months 1-[*****]):	\$(*****)
Lease Year 1 (months *****]-12): ¹	\$(*****] (plus the prorated amount for any Fractional Month per Section 1(i) hereof, if applicable)
Lease Years 2-5 (months 13 – 60):	\$(*****]
Lease Years 6-10 (months 61 – 120):	\$(*****]

- (f) Lease Commencement Date: The date on which Substantial Completion (as defined in Section 17(f) hereof) of the Demised Premises has occurred, which is contemplated to be October 1, 2007 (and Tenant shall not be required to accept a Lease Commencement Date prior to October 1, 2007).
- (g) Base Rent Commencement Date: The ninety-third (93rd) day after the Lease Commencement Date.
- (h) Expiration Date: The last day of the one-hundred twentieth (120th) full calendar month following Lease Commencement Date.
- (i) Primary Term: Ten (10) Lease Years from the Lease Commencement Date plus, in the event the Base Rent Commencement Date does not occur on the first (1st) day of a calendar month, a number of days equal to the period from and including the Base Rent Commencement Date to and including the last day of the calendar month in which the Base Rent Commencement Date occurs (if applicable, the “Fractional Month”).
- (j) Tenant’s Operating Expense Percentage: 80.04%.
- (k) Security Deposit: \$(*****].
- (l) Permitted Use: (a) Distribution, warehousing, assembly, systems integration and storage of automatic identification products and telephony and computer telephony integration products, security and conferencing products, software, and any other durable goods, training purposes, and administrative uses reasonably incidental thereto (collectively, the “Primary Use”), and (b) subject to the limitations hereinafter specified, for distribution, warehousing and storage of other products to the extent permissible under applicable Governmental Requirements (as hereinafter defined), the Rules and Regulations (as hereinafter defined) and the protective covenants and other title matters affecting the Building listed on Exhibit A-3 hereto (the “Permitted Exceptions”); provided however, that Tenant’s use of the Demised Premises (i) shall never include the distribution, warehousing and storage of products or any use of the Demised Premises prohibited by any provision contained in this Lease (including, without limitation, Section 16 hereof), (ii) shall never extend to or allow the use, distribution, warehousing or storage of radioactive materials at the Demised Premises, or any use wherein a Hazardous Substance (as hereinabove defined) constitutes the principal or primary product of the business to be conducted at the Demised Premises, and (iii) for distribution, warehousing and storage of any products other than those contemplated by the Primary Use, must not result in a material risk of environmental contamination at the Demised Premises. Tenant shall give written notice to Landlord in the event Tenant changes the use from the Primary Use.
- (m) Address for notice:
 Landlord: Industrial Developments International, Inc.
 c/o IDI, Inc.
 3424 Peachtree Road, N.E., Suite 1500
 Atlanta, Georgia 30326
 Attn: Manager - Lease Administration

Tenant: 8650 Commerce Drive, LLC
 6 Logue Court
 Greenville, SC 29615
 Attn: General Counsel

(n) Address for rental payments:

Industrial Developments International, Inc.
 c/o IDI Services Group, LLC
 P.O. Box 281464
 Atlanta, Georgia 30384-1464

(o) Broker(s): Commercial Advisors, LLC

3175 Lenox Park Blvd., Suite 100
 Memphis, Tennessee 38115
 Attn: Mr. Wyatt Aiken

(p) Guarantor: ScanSource, Inc.

6 Logue Court
 Greenville, SC 29615
 Attn: General Counsel

2. **Demised Premises.** For and in consideration of the rent hereinafter reserved and the mutual covenants hereinafter contained, Landlord does hereby lease and demise unto Tenant, and Tenant does hereby hire, lease and accept, from Landlord all upon the terms and conditions hereinafter set forth the following premises, referred to as the "Demised Premises", as outlined on Exhibit A-1 attached hereto and incorporated herein: approximately 592,956 square feet of space, having an address as set forth in Section 1(a), located within Building F (the "Building"), which contains a total of approximately 740,844 square feet and is located on certain land containing approximately 34.89 acres (more particularly described on Exhibit A-2 attached hereto, the "Land") within Stateline Business Park (the "Project"), located in DeSoto County, Mississippi. The parties acknowledge that the number of square feet recited above has been conclusively determined and is not subject to contest by either party, subject to the provisions of Section 13 of Exhibit C to this Lease.
3. **Term.** To have and to hold the Demised Premises for a preliminary term (the "Preliminary Term") commencing on the Lease Date and ending on the day immediately preceding the Lease Commencement Date as set forth in Section 1(f), and a primary term (the "Primary Term") commencing on the Lease Commencement Date and terminating on the Expiration Date as set forth in Section 1(h), as the Lease Commencement Date and the Expiration Date may be revised pursuant to Section 17 (the Preliminary Term, the Primary Term, and any and all extensions thereof, herein referred to as the "Term"). The term "Lease Year", as used in this Lease, shall mean the 12-month period commencing on the Lease Commencement Date, and each 12-month period thereafter during the Term; *provided, however*, that if the Base Rent Commencement Date is a day other than the first day of a calendar month, the first Lease Year shall include the resulting Fractional Month and shall extend through the end of the twelfth (12th) full calendar month following the Lease Commencement Date.
4. **Base Rent.** Tenant shall pay to Landlord at the address set forth in Section 1(n), as base rent for the Demised Premises, commencing on the Base Rent Commencement Date and continuing throughout the Term in lawful money of the United States, the annual amount set forth in Section 1(d) payable in equal monthly installments as set forth in Section 1(e) (the "Base Rent"), payable in advance, without demand and without abatement, reduction, set-off or deduction, on the first day of each calendar month during the Term. If the Base Rent Commencement Date shall fall on a day other than the first day of a calendar month, the Base Rent shall be apportioned pro rata on a per diem basis for the resulting Fractional Month (which pro rata payment shall be due and payable on the Base Rent Commencement Date). No payment by Tenant or receipt by Landlord of rent hereunder shall be deemed to be other than on account of the amount due, and no endorsement or statement on any check or any letter

accompanying any check or payment of rent shall be deemed an accord and satisfaction, and Landlord may accept such check as payment without prejudice to Landlord's right to recover the balance of such installment or payment of rent or pursue any other remedies available to Landlord.

5. Security Deposit. On the date which is six (6) months prior to the expiration of the Term (after giving effect to any extensions of the Term that have been exercised at the time), Tenant shall pay to Landlord within ten (10) days after Landlord's request the sum set forth in Section 1(k) (the "Security Deposit") as security for the full and faithful performance by Tenant of each and every term, covenant and condition of this Lease (including, without limitation, those which have accrued prior to such date). The Security Deposit may be commingled with Landlord's other funds or held by Landlord in a separate interest bearing account, with interest paid to Landlord, as Landlord may elect. In the event that Tenant is in default under this Lease, Landlord may retain the Security Deposit for the payment of any sum due Landlord or which Landlord may expend or be required to expend by reason of Tenant's default or failure to perform; provided, however, that any such retention by Landlord shall not be or be deemed to be an election of remedies by Landlord or viewed as liquidated damages, it being expressly understood and agreed that Landlord shall have the right to pursue any and all other remedies available to it under the terms of this Lease or otherwise. In the event all or any portion of the Security Deposit is so retained by Landlord, Tenant shall, within five (5) days of demand therefor from Landlord, replenish the Security Deposit to the full amount set forth in Section 1(k). In the event that Tenant shall comply with all of the terms, covenants and conditions of this Lease, the Security Deposit shall be returned to Tenant within thirty (30) days after the later of (a) the Expiration Date or (b) the date that Tenant delivers possession of the Demised Premises to Landlord. In the event of a sale of the Building, Landlord shall transfer the Security Deposit to the purchaser, and upon acceptance by such purchaser, Landlord shall be released from all liability for the return of the Security Deposit. Tenant shall not assign or encumber the money deposited as security, and neither Landlord nor its successors or assigns shall be bound by any such assignment or encumbrance.
6. Operating Expenses and Additional Rent.
- (a) Tenant agrees to pay as Additional Rent (as defined in Section 6(b) below) its proportionate share of Operating Expenses (as hereinafter defined). "Operating Expenses" shall be defined as all reasonable expenses for operation, repair, replacement and maintenance as necessary to keep the Building and the common areas, driveways, and parking areas associated therewith (collectively, the "Building Common Area") fully operational and in good order, condition and repair, including but not limited to, utilities for the Building Common Area, expenses associated with the driveways and parking areas (including sealing and restriping, and trash, snow and ice removal), roof, security systems, fire detection and prevention systems, lighting facilities, landscaped areas, walkways, painting and caulking, directional signage, curbs, drainage strips, sewer lines, all charges assessed against or attributed to the Building pursuant to any applicable easements, covenants, restrictions, agreements, declaration of protective covenants or development standards, property management fees, all real property taxes and special assessments imposed upon the Building, the Building Common Area and the land on which the Building and the Building Common Area are constructed, all costs of insurance paid by Landlord with respect to the Building and the Building Common Area (including, without limitation, commercially reasonable deductibles), and costs of improvements to the Building and the Building Common Area required by any law, ordinance or regulation applicable to the Building and the Building Common Area generally (and not because of the particular use of the Building or the Building Common Area by a particular tenant), which cost shall be amortized on a straight line basis over the useful life of such improvement, as reasonably determined by Landlord in accordance with generally accepted accounting principles. Operating Expenses shall not include expenses for the costs of any maintenance and repair required to be performed by Landlord at its own expense under Section (10)(b). Further, Operating Expenses shall not include (i) the costs for capital improvements unless such costs are incurred for the purpose of causing a material decrease in the Operating Expenses of the Building or the Building Common Area or are incurred with respect to improvements made to comply with laws, ordinances or regulations as described above (ii) leasing and brokerage commissions and fees and marketing expenses; (iii) costs of building out or otherwise improving any space to be occupied by a tenant; (iv) legal or court costs (or other professional

or advisory costs) associated with leasing any space or addressing disputes with any present, former or potential tenant or purchaser of the property on which the Building is located (the "Property"); (v) fines or penalties imposed on Landlord, the Property or the Building; (vi) costs of special services rendered to particular tenants of the Building rather than to all tenant thereof; (vii) capital expenditures and depreciation of the Building or any other improvements to the Property (except to the extent expressly permitted in this Section 6); (viii) interest and amortization of loans; (ix) ground rent; (x) compensation paid to officers or executives of Landlord higher than the level of Building manager; (xi) franchise, transfer, gains, inheritance, estate and income taxes imposed upon Landlord; (xii) costs and expenses otherwise includable in Operating Expenses, to the extent that Landlord is specifically and separately reimbursed from other sources for such costs and expenses through insurance or condemnation proceeds, direct payment by a tenant of the Building or otherwise; (xiii) that portion of the salaries of Landlord's employees which does not relate to services performed in and for the Building; (xiv) any damages paid or incurred as a result of any tortious conduct by Landlord or any of its agents or employees, or any breach of any lease of space by Landlord or any of its agents or employees, and any attorneys' fees actually incurred, disbursements, or other costs paid or incurred in the defense and settlement of claims therefor; (xv) costs relating to liability for a complete or partial withdrawal from any "multi-employer" plans within the meaning of Section 4001(a)(3) of the Employee Retirement Income Security Act of 1974, as amended by the Multi-Employer Retirement Income Security Act of 1980; and (xvi) the cost of repairs or construction necessitated by violations of applicable Governmental Requirements in effect as of the Lease Commencement Date, including without limitation, Environmental Laws (as hereinafter defined), including fines, penalties, and interest thereon. The proportionate share of Operating Expenses to be paid by Tenant shall be a percentage of the Operating Expenses based upon the proportion that the square footage of the Demised Premises bears to the total square footage of the Building (such figure referred to as "Tenant's Operating Expense Percentage" and set forth in Section 1(j)); provided that, as to management fees, Tenant shall pay Landlord the management fees directly attributable to the Rent (as hereinafter defined) payable hereunder with respect to the Demised Premises, and not Tenant's Operating Expense Percentage of the management fees payable on the entire Building. Notwithstanding the foregoing, Landlord shall, in Landlord's reasonable discretion, have the right to adjust Tenant's proportionate share of individual components of Operating Expenses if Tenant's Operating Expense Percentage thereof would not equitably allocate to Tenant its share of such component of Operating Expenses in light of Tenant's particular use of, manner of use of and/or level of tenant improvements in the Demised Premises. Prior to or promptly after the beginning of each calendar year during the Term, Landlord shall estimate the total amount of Operating Expenses to be paid by Tenant during each such calendar year and Tenant shall pay to Landlord one-twelfth (1/12) of such sum on the first day of each calendar month during each such calendar year, or part thereof, during the Term. Within a reasonable time after the end of each calendar year, Landlord shall submit to Tenant a statement of the actual amount of Operating Expenses for such calendar year (Landlord hereby agreeing to submit such statement within one hundred twenty (120) days of the expiration of the calendar year with respect to which such statement applies), and the actual amount owed by Tenant, and within thirty (30) days after receipt of such statement, Tenant shall pay any deficiency between the actual amount owed and the estimates paid during such calendar year, or in the event of overpayment, Landlord shall credit the amount of such overpayment toward the next installment of Operating Expenses owed by Tenant or remit such overpayment to Tenant if the Term has expired or has been terminated and no Event of Default exists hereunder (or, if an Event of Default exists, apply such amount to Tenant's outstanding obligations hereunder), along with such statement. The obligations in the immediately preceding sentence shall survive the expiration or any earlier termination of this Lease. If the Lease Commencement Date shall fall on other than the first day of the calendar year, and/or if the Expiration Date shall fall on other than the last day of the calendar year, Tenant's proportionate share of the Operating Expenses for such calendar year shall be apportioned *pro rata*.

- (b) Any amounts required to be paid by Tenant hereunder (in addition to Base Rent) and any charges or expenses incurred by Landlord on behalf of Tenant under the terms of this Lease shall be considered "Additional Rent" payable in the same manner and upon the same terms

and conditions as the Base Rent reserved hereunder except as set forth herein to the contrary (all such Base Rent and Additional Rent sometimes being referred to collectively herein as "Rent"). Any failure on the part of Tenant to pay such Additional Rent when and as the same shall become due shall entitle Landlord to the remedies available to it for non-payment of Base Rent. Tenant's obligations for payment of Additional Rent shall begin to accrue on the Lease Commencement Date regardless of the Base Rent Commencement Date.

- (c) If applicable in the jurisdiction where the Demised Premises are located, Tenant shall pay and be liable for all rental, sales, use and inventory taxes or other similar taxes, if any, on the amounts payable by Tenant hereunder levied or imposed by any city, state, county or other governmental body having authority, such payments to be in addition to all other payments required to be paid to Landlord by Tenant under the terms of this Lease. Such payment shall be made by Tenant directly to such governmental body if billed to Tenant, or if billed to Landlord, such payment shall be paid concurrently with the payment of the Base Rent, Additional Rent, or such other charge upon which the tax is based, all as set forth herein.
- (d) In addition to the provisions of this Section 6, Special Stipulations 5 and 6 on Exhibit C hereto shall be applicable to the determination of Operating Expenses hereunder.

7. Use of Demised Premises.

- (a) The Demised Premises shall be used for the Permitted Use set forth in Section 1(l) and for no other purpose.
- (b) Tenant will permit no liens to attach or exist against the Demised Premises, and shall not commit any waste.
- (c) The Demised Premises shall not be used for any illegal purposes, and Tenant shall not allow, suffer, or permit any vibration, noise, odor, light or other effect to occur within or around the Demised Premises that could constitute a nuisance or trespass for Landlord or any occupant of the Building or an adjoining building, its customers, agents, or invitees. Upon notice by Landlord to Tenant that any of the aforesaid prohibited uses are occurring, Tenant agrees to promptly remove or control the same.
- (d) Tenant shall not in any way violate any law, ordinance or restrictive covenant affecting the Demised Premises, and shall not in any manner use the Demised Premises so as to cause cancellation of, prevent the use of, or increase the rate of, the fire and extended coverage insurance policy required hereunder. Landlord makes no (and does hereby expressly disclaim any) covenant, representation or warranty as to the Permitted Use being allowed by or being in compliance with any applicable laws, rules, ordinances or restrictive covenants now or hereafter affecting the Demised Premises, and any zoning letters, copies of zoning ordinances or other information from any governmental agency or other third party provided to Tenant by Landlord or any of Landlord's agents or employees shall be for informational purposes only, Tenant hereby expressly acknowledging and agreeing that Tenant shall conduct and rely solely on its own due diligence and investigation with respect to the compliance of the Permitted Use with all such applicable laws, rules, ordinances and restrictive covenants and not on any such information provided by Landlord or any of its agents or employees. Notwithstanding the foregoing, Industrial Developments International, Inc. ("IDI"), the initial "Landlord" hereunder, hereby represents that, to IDI's actual knowledge (i) which for purposes of this clause (i) is based solely on that letter from the Office of Planning and Development of the City of Southaven, Mississippi to Mr. Robert Fischer of IDI dated July 21, 2006, a copy of which is attached hereto as Exhibit H, the land on which the Building lies is currently zoned "Planned Business Park (PBP)" under the City of Southaven, Mississippi zoning ordinance; and (ii) there are no protective or restrictive covenants that encumber the Property other than as may be included in the Permitted Exceptions.
- (e) In the event insurance premiums pertaining to the Demised Premises, the Building, or the Building Common Area, whether paid by Landlord or Tenant, are increased over the least hazardous rate available for ordinary office, warehouse, assembly, integration and distribution

purposes due to the nature of the use of the Demised Premises by Tenant, Tenant shall pay such additional amount as Additional Rent.

8. Insurance.

- (a) Tenant covenants and agrees that from and after the Lease Commencement Date or any earlier date upon which Tenant enters or occupies the Demised Premises or any portion thereof, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:
- (i) Commercial General Liability insurance (including Contractual Liability coverage) covering the Demised Premises and Tenant's use thereof against claims for bodily injury or death, property damage and product liability occurring upon, in or about the Demised Premises, such insurance to be written on an occurrence basis (not a claims made basis), to be in combined single limits amounts not less than \$3,000,000.00 per occurrence and to have general aggregate limits of not less than \$5,000,000.00.
 - (ii) Insurance covering (A) all of the items included in the leasehold improvements constructed in the Demised Premises by or at the expense of Landlord (collectively, the "Improvements"), including but not limited to demising walls and the heating, ventilating and air conditioning system and (B) Tenant's trade fixtures, merchandise and personal property from time to time in, on or upon the Demised Premises, in an amount not less than one hundred percent (100%) of their full replacement value from time to time during the Term (with such replacement value reasonably determined by Landlord by notice to Tenant from time to time during the term), providing protection against perils included within the standard form of "Special Form" fire and casualty insurance policy, together with insurance against sprinkler damage, vandalism, malicious mischief, flood and earthquake, regardless of the flood or earthquake zone. If during the lease term, Tenant is unable to procure earthquake coverage on its merchandise through Tenant's risk management portfolio, Landlord agrees to allow Tenant to carry earthquake coverage on such merchandise of not less than sixty percent (60%) of the full replacement value thereof. Any policy proceeds from such insurance relating to the Improvements shall be used solely for the repair, construction and restoration or replacement of the Improvements damaged or destroyed unless this Lease shall cease and terminate under the provisions of Section 20.
- (b) All policies of the insurance provided for in Section 8(a) shall be issued in form reasonably acceptable to Landlord by insurance companies with a rating of not less than "A," and financial size of not less than Class VII, in the most current available "Best's Insurance Reports", and licensed to do business in the state in which the Building is located. Each and every such policy:
- (i) shall name Landlord, Lender (as defined in Section 24), and any other party reasonably designated by Landlord, as an additional insured. In addition, the coverage described in Section 8(a)(ii)(A) relating to the Improvements shall also name Landlord as "loss payee";
 - (ii) shall be delivered to Landlord through a certificate of insurance evidencing the required lines of coverage, insurance limits and coverage endorsements set forth in this Lease, and otherwise in a form acceptable to Landlord, prior to the Lease Commencement Date and thereafter within ten (10) days prior to the expiration of each such policy, and, as often as any such policy shall expire or terminate. Renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent;
 - (iii) shall contain a provision that the insurer will give to Landlord and such other parties in interest at least thirty (30) days notice in writing in advance of any cancellation, termination or lapse (provided that no such notice shall be required by virtue of the

expiration of such policy in accordance with the terms of the certificate delivered to Landlord as provided herein), or the effective date of any reduction in the amounts of insurance (provided that such policy need only provide ten (10) days notice in writing in advance of any cancellation as a result of failure to pay the premium therefor); and

- (iv) shall be written as a primary policy which does not contribute to and is not in excess of coverage which Landlord may carry.
 - (c) In the event that Tenant shall fail to carry and maintain the insurance coverages set forth in this Section 8, Landlord may upon thirty (30) days notice to Tenant (unless such coverages will lapse in which event no such notice shall be necessary) procure such policies of insurance and Tenant shall promptly reimburse Landlord therefor.
 - (d) Landlord and Tenant hereby waive any rights each may have against the other on account of any loss or damage occasioned to Landlord or Tenant, as the case may be, their respective property, the Demised Premises, its contents or to the other portions of the Building, arising from any risk covered by the Special Form fire and extended coverage insurance required to be carried hereunder. The parties hereto shall cause their respective insurance companies insuring the property of either Landlord or Tenant against any such loss, to waive any right of subrogation that such insurers may have against Landlord or Tenant, as the case may be.
 - (e) Landlord agrees to keep in force during the Term, at Landlord's sole cost and expense (subject to reimbursement therefor by Tenant's payment of its share of Operating Expenses) (i) a fire and other casualty policy protecting against losses suffered to any portion of the Building by fire and such other risks and hazards as are insurable under present and future terms of "all-risk" insurance policies (or its equivalent), such policy to be issued by an insurance company with a rating of not less than "A", and financial size of not less than Class VII, in the most current "Best's Insurance Reports", and authorized to do business in the State of Mississippi (a "Satisfactory Insurance Company") in an amount not less than ninety-five percent (95%) of the replacement value of the Building (exclusive of footing and foundations), and shall be on such other terms and conditions as insurance policies then generally being carried by other owners of similar buildings in the greater Memphis, Tennessee area carrying such insurance, and (ii) a Commercial General Liability Insurance policy written by a Satisfactory Insurance Company insuring Landlord against bodily injury (including death) and property damage occasioned by an occurrence in or about the Building for which Landlord would be responsible pursuant to the terms hereof. The limits of liability for such liability policy shall be not less than that required of Tenant hereinabove. Landlord agrees to carry an "All Risk" property deductible of not greater than two hundred fifty thousand dollars (\$250,000) and an Earthquake deductible of not greater than five percent (5%) of the total insurable value of the building, subject to a minimum deductible of two hundred fifty thousand dollars (\$250,000). These deductibles shall be subject to the operating expenses identified in Section 6 of the lease. Notwithstanding the above, Tenant shall only be subject to actual deductibles paid by the Landlord at the time of loss.
9. Utilities. During the Term, Tenant shall promptly pay as billed to Tenant all rents and charges for water and sewer services and all costs and charges for gas, steam, electricity, fuel, light, power, telephone, heat and any other utility or service used or consumed in or servicing the Demised Premises and all other costs and expenses involved in the care, management and use thereof as charged by the applicable utility companies. All such utilities shall be separately metered and billed to Tenant, and Tenant shall establish an account with the utility provider with respect to each such separately metered utility. Tenant's obligation for payment of all utilities shall commence on the earlier of the Lease Commencement Date or the date of Tenant's actual occupancy of all or any portion of the Demised Premises, including any period of occupancy prior to the Lease Commencement Date, regardless of whether or not Tenant conducts business operations during such period of occupancy. If Tenant fails to pay any utility bills or charges, Landlord may, at its option and upon reasonable notice to Tenant, pay the same and in such event, the amount of such payment, together with interest thereon at the Interest Rate as defined in Section 32 from the date of such payment by Landlord, will be added to Tenant's next payment due as Additional Rent.

10. Maintenance and Repairs.

- (a) Tenant shall, at its own cost and expense, maintain in good condition and repair and replace as necessary the interior of the Demised Premises, including but not limited to the heating, air conditioning and ventilation systems, glass, windows and doors, sprinkler, all plumbing and sewage systems (excluding any pipes or lines located beneath the floor slab which are used in common with other tenants of the Building), fixtures, interior walls, floors (including floor slabs), dock areas, dock ramps, ceilings, storefronts, plate glass, skylights, all electrical facilities and equipment including, without limitation, lighting fixtures, lamps, fans and any exhaust equipment and systems, electrical motors, and all other appliances and equipment (including, without limitation, dock levelers, dock shelters, dock seals and dock lighting) of every kind and nature located in, upon or about the Demised Premises, except as to such maintenance, repair and replacement as is the obligation of Landlord pursuant to Section 10(b). During the Term, Tenant shall either (i) maintain qualified staff reasonably acceptable to Landlord to perform maintenance of the heating, ventilation and air conditioning systems, as reasonably evidenced to Landlord from time to time upon Landlord's request, or (ii) maintain in full force and effect a service contract for the maintenance of the heating, ventilation and air conditioning systems with an entity reasonably acceptable to Landlord; provided, however, that during the one year period following the Lease Commencement Date, such service contract shall be maintained with the contractor that installed the heating, ventilation and air conditioning systems and shall provide for at least two preventive maintenance service calls during such one year period. If Tenant is required to or elects to maintain the service contracts in accordance with part (ii) of the foregoing sentence, Tenant shall deliver to Landlord (x) a copy of said service contract prior to the Lease Commencement Date, and (y) thereafter, a copy of a renewal or substitute service contract within thirty (30) days prior to the expiration of the existing service contract. Tenant's obligation shall exclude any maintenance, repair and replacement required because of the act, gross negligence or willful misconduct of Landlord, its employees, contractors or agents, which shall be the responsibility of Landlord.
- (b) Landlord shall, at its own cost and expense, maintain in good condition and repair the foundation (beneath the floor slab), structural frame, external walls (exclusive of painting and caulking of the Building, the cost of which will be included in Operating Expenses) and roof of the Building (but any patches to the roof membrane not covered by warranty will be included in Operating Expenses). Landlord shall also be responsible for any repairs to the floor slab (but not the maintenance thereof) required because of latent defects in the floor slab, defects resulting from inferior workmanship in the construction of the floor slab, or defects resulting from a failure to construct the floor slab in accordance with the applicable plans and specifications therefor or the laws and regulations applicable thereto. Landlord's obligation shall exclude the cost of any maintenance or repair required because of the gross negligence, improper use or willful misconduct of Tenant or any of Tenant's subsidiaries or affiliates, or any of Tenant's or such subsidiaries' or affiliates' agents, contractors, employees, licensees or invitees (collectively, "Tenant's Affiliates"), the cost of which shall be the responsibility of Tenant. Landlord shall never have any obligation to repair, maintain or replace, pursuant to this subsection 10(b) or any other provision of this Lease, any Tenant's Change (as defined in Section 18 hereof). In addition to the foregoing, Landlord will maintain the fire pump and sprinklers and perform inspections and testing in accordance with the guidelines outlined in NFPA No. 25 "Inspection of Water Based Fire Suppression Systems."
- (c) Unless the same is caused solely by the negligent action or inaction of Landlord, its employees or agents, and is not covered by the insurance required to be carried by Tenant pursuant to the terms of this Lease, Landlord shall not be liable to Tenant or to any other person for any damage occasioned by failure in any utility system or by the bursting or leaking of any vessel or pipe in or about the Demised Premises, or for any damage occasioned by water coming into the Demised Premises or arising from the acts or neglects of occupants of adjacent property or the public.

11. Tenant's Personal Property; Indemnity. All of Tenant's personal property in the Demised Premises shall be and remain at Tenant's sole risk. Landlord, its agents, employees and contractors, shall not be

liable for, and Tenant hereby releases Landlord from, any and all liability for theft thereof or any damage thereto occasioned by any act of God or by any acts, omissions or negligence of any persons, except to the extent caused by the negligence or willful misconduct of Landlord, its agents, employees and contractors. Landlord, its agents, employees and contractors, shall not be liable for any injury to the person or property of Tenant or the employees, agents, contractors or invitees of Tenant in or about the Demised Premises, Tenant expressly agreeing to indemnify and save Landlord, its agents, employees and contractors, harmless, in all such cases, except to the extent caused by the negligence or willful misconduct of Landlord, its agents, employees and contractors. Tenant further agrees to indemnify and reimburse Landlord for any costs or expenses, including, without limitation, attorneys' fees, that Landlord reasonably may actually incur in investigating, handling or litigating any such claim against Landlord by a third person, unless such claim arose from the negligence or willful misconduct of Landlord, its agents, employees or contractors. The provisions of this Section 11 shall survive the expiration or earlier termination of this Lease with respect to any damage, injury or death occurring before such expiration or termination.

12. Tenant's Fixtures. Tenant shall have the right to install in the Demised Premises trade fixtures required by Tenant or used by it in its business, and if installed by Tenant, to remove any or all such trade fixtures from time to time during and upon termination or expiration of this Lease; provided, however, that Tenant shall repair and restore any damage or injury to the Demised Premises (to the condition in which the Demised Premises existed prior to such installation) caused by the installation and/or removal of any such trade fixtures.
13. Signs. No sign, advertisement or notice shall be inscribed, painted, affixed, or displayed on the windows or exterior walls of the Demised Premises or on any public area of the Building, except in such places, numbers, sizes, colors and styles as are approved in advance in writing by Landlord, and which conform to all applicable laws, ordinances, or covenants affecting the Demised Premises. Any and all signs installed or constructed by or on behalf of Tenant pursuant hereto shall be installed, maintained and removed by Tenant at Tenant's sole cost and expense.
14. No Landlord's Lien. Notwithstanding any other provision hereof to the contrary, other than with respect to liens arising by virtue of any judgments obtained by Landlord against Tenant, Landlord hereby waives any and all rights (whether contractual, common law, statutory or otherwise) to any lien or right of distraint against any personal property and trade fixtures of Tenant situated in and upon the Demised Premises.
15. Governmental Regulations. Tenant shall promptly comply throughout the Term, at Tenant's sole cost and expense, with all present and future laws, ordinances, orders, rules, regulations or requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof (collectively, "Governmental Requirements") relating to (a) all or any part of the Demised Premises, and (b) the use or manner of use of the Demised Premises and the Building Common Area; provided, however, that Landlord shall be solely responsible for making all changes necessitated by violations by Landlord, its contractors or agents, of applicable Governmental Requirements in effect as of the Lease Commencement Date. Tenant shall also observe and comply with the requirements of all policies of public liability, fire and other policies of insurance at any time in force with respect to the Demised Premises. Notwithstanding the foregoing, (A) if as a result of one or more Governmental Requirements it is necessary, from time to time during the Term, to perform an alteration or modification of the Demised Premises, the Building, or the Building Common Area (a "Code Modification") which is made necessary as a result of the specific use being made by Tenant of the Demised Premises (as distinguished from an alteration or modification which would be required to be made by the owner of a warehouse-office building comparable to the Building irrespective of the use thereof by any particular occupant) or a Tenant's Change, then such Code Modification shall be the sole and exclusive responsibility of Tenant in all respects; any such Code Modification shall be promptly performed by Tenant at its expense in accordance with the applicable Governmental Requirement and with Section 18 hereof; and (B) if as a result of one or more Governmental Requirements it is necessary from time to time during the Term to perform a Code Modification which (i) would be characterized as a capital expenditure under generally accepted accounting principles and (ii) is not made necessary as a result of the specific use being made by Tenant of the Demised Premises (as distinguished from an alteration or modification which would be required to be made by the owner of any warehouse- office building comparable to the Building irrespective of the use thereof by any

particular occupant) or a Tenant's Change, then (a) Landlord shall have the obligation to perform the Code Modification at its expense, (b) the cost of such Code Modification shall be amortized on a straight-line basis over the useful life of the item in question, as reasonably determined by Landlord in accordance with generally accepted accounting principles, and (c) Tenant shall be obligated to pay (as Additional Rent, payable in the same manner and upon the same terms and conditions as the Base Rent reserved hereunder) for (i) Tenant's proportionate share (based on Tenant's Operating Expense Percentage) of the portion of such amortized costs attributable to the remainder of the Term, including any extensions thereof, with respect to any Code Modification respecting the Building Common Area, and (ii) the entire portion of such amortized costs attributable to the remainder of the Term, including any extensions thereof, with respect to any Code Modification respecting the Demised Premises (and Tenant shall expressly not be required to pay any portion of the cost of a Code Modification respecting any leased or leasable space in the Building other than the Demised Premises, unless specifically required to do so under such Code Modification). Tenant shall promptly send to Landlord a copy of any written notice received by Tenant requiring a Code Modification.

16. Environmental Matters.

- (a) For purposes of this Lease:
- (i) "Contamination" as used herein means the presence of or release of Hazardous Substances (as hereinafter defined) into any environmental media from, upon, within, below, into or on any portion of the Demised Premises, the Building, the Building Common Area or the Project so as to require remediation, cleanup or investigation under any applicable Environmental Law (as hereinafter defined).
 - (ii) "Environmental Laws" as used herein means all federal, state, and local laws, regulations, orders, permits, ordinances or other requirements, which exist now or as may exist hereafter, concerning protection of human health, safety and the environment, all as may be amended from time to time including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq. ("CERCLA") and the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq. ("RCRA").
 - (iii) "Hazardous Substances" as used herein means any hazardous or toxic substance, material, chemical, pollutant, contaminant or waste as those terms are defined by any applicable Environmental Laws and any solid wastes, polychlorinated biphenyls, urea formaldehyde, asbestos, radioactive materials, radon, explosives, petroleum products and oil.
- (b) Landlord represents that, except as revealed to Tenant in writing by Landlord, to Landlord's actual knowledge, Landlord has not treated, stored or disposed of any Hazardous Substances upon or within the Demised Premises, nor, to Landlord's actual knowledge, has any predecessor owner or occupant of the Demised Premises.
- (c) Tenant covenants that all its activities, and the activities of Tenant's Affiliates (as defined in Section 10(b)), on the Demised Premises, the Building, or the Project during the Term will be conducted in compliance with Environmental Laws. Tenant warrants that, to the current actual knowledge of Shelby McCloud, Vice President of Warehouse Operations for Tenant (without any individual liability on her part), it is currently in compliance with all applicable Environmental Laws and that there are no pending or threatened notices of deficiency, notices of violation, orders, or judicial or administrative actions involving alleged violations by Tenant of any Environmental Laws. Tenant, at Tenant's sole cost and expense, shall be responsible for obtaining all permits or licenses or approvals under Environmental Laws necessary for Tenant's operation of its business on the Demised Premises, shall make all notifications and registrations required by any applicable Environmental Laws, and shall use and store all substances used in the operation of Tenant's business at the Demised Premises in accordance with the Materials Safety Data Sheets therefor. Tenant, at Tenant's sole cost and expense, shall at all times comply with the terms and conditions of all such permits, licenses, approvals, notifications and registrations and, to the extent regulating the conduct of Tenant's

activities at the Demised Premises, with any other applicable Environmental Laws. Tenant will maintain all such permits, licenses or approvals and make all such notifications and registrations required by any applicable Environmental Laws necessary for Tenant's operation of its business on the Demised Premises.

- (d) Tenant shall not cause or permit any Hazardous Substances to be brought upon, kept or used in or about the Demised Premises, the Building, or the Project without the prior written consent of Landlord, which consent shall not be unreasonably withheld; provided, however, that the consent of Landlord shall not be required for the use at the Demised Premises of cleaning supplies, toner for photocopying machines and other similar materials, in containers and quantities reasonably necessary for and consistent with normal and ordinary use by Tenant in the routine operation or maintenance of Tenant's office equipment or in the routine janitorial service, cleaning and maintenance for the Demised Premises. For purposes of this Section 16, Landlord shall be deemed to have reasonably withheld consent if Landlord reasonably determines that the presence of such Hazardous Substance within the Demised Premises is reasonably likely to result in a risk of harm to person or property or otherwise negatively affect the value or marketability of the Building or the Project.
- (e) Tenant shall not cause or permit the release of any Hazardous Substances by Tenant or Tenant's Affiliates into any environmental media such as air, water or land, or into or on the Demised Premises, the Building or the Project in any manner that violates any Environmental Laws. If such release shall occur, Tenant shall (i) take all steps reasonably necessary to contain and control such release and any associated Contamination, (ii) clean up or otherwise remedy such release and any associated Contamination to the extent required by, and take any and all other actions required under, applicable Environmental Laws and (iii) notify and keep Landlord reasonably informed of such release and response.
- (f) Regardless of any consents granted by Landlord pursuant to Section 16(d) allowing Hazardous Substances upon the Demised Premises, Tenant shall under no circumstances whatsoever cause or permit (i) any activity on the Demised Premises which would cause the Demised Premises to become subject to regulation as a hazardous waste treatment, storage or disposal facility under RCRA or the regulations promulgated thereunder, or cause Tenant to become regulated as a generator under RCRA other than as a Conditionally Exempt Small Quantity Generator as defined by RCRA ("Conditionally Exempt Small Quantity Generator" shall have the meaning provided under the RCRA, as in effect from time to time), (ii) the discharge of Hazardous Substances into the storm sewer system serving the Project or (iii) the installation of any underground storage tank or underground piping on or under the Demised Premises.
- (g) Tenant shall and hereby does indemnify Landlord and hold Landlord harmless from and against any and all expense, loss, and liability suffered by Landlord (except to the extent that such expenses, losses, and liabilities arise out of Landlord's own negligence or willful act), by reason of the storage, generation, release, handling, treatment, transportation, disposal, or arrangement for transportation or disposal, of any Hazardous Substances at the Demised Premises, the Building or the Project (whether accidental, intentional, or negligent) by Tenant or Tenant's Affiliates or by reason of Tenant's breach of any of the provisions of this Section 16. Such expenses, losses and liabilities shall include, without limitation, all of the following expenses, losses and liabilities arising out of any such Contamination of the Demised Premises, the Building or the Project by Tenant or Tenant's Affiliates and/or by reason of Tenant's breach of any of the provisions of this Section 16: (i) any and all expenses that Landlord may incur to comply with any Environmental Laws as a result thereof; (ii) any and all costs that Landlord may incur in studying or remedying any such Contamination; (iii) any and all costs that Landlord may incur in studying, removing, disposing or otherwise addressing such Hazardous Substances; (iv) any and all fines, penalties or other sanctions assessed upon Landlord; and (v) any and all legal and professional fees and costs incurred by Landlord in connection with the foregoing. The indemnity contained herein shall survive the expiration or earlier termination of this Lease.

17. Construction of Demised Premises.

- (a) Within thirty (30) days after the Lease Date, Landlord shall prepare, at Landlord's sole cost and expense, and submit to Tenant a set of plans and specifications and/or construction drawings (collectively, the "Plans and Specifications") based on the preliminary plans and specifications and/or preliminary floor plans set forth on Exhibit B attached hereto and incorporated herein (collectively, the "Preliminary Plans"), covering all work to be performed by Landlord in constructing the Improvements (as defined in Section 8(a)(ii)). Tenant shall have fifteen (15) days after receipt of the Plans and Specifications in which to review and to give to Landlord written notice of its approval of the Plans and Specifications or its requested changes to the Plans and Specifications (and Landlord must expressly notify Tenant upon delivery to Tenant of such Plans and Specifications, or any change thereto, that Tenant must approve or reject the same within fifteen (15) days or they will be deemed approved). Tenant shall have no right to request any changes to the Plans and Specifications which would materially alter either the Demised Premises or the exterior appearance or basic nature of the Building, as the same are contemplated by the Preliminary Plans. If Tenant fails to approve or request changes to the Plans and Specifications by fifteen (15) days after its receipt thereof, then Tenant shall be deemed to have approved the Plans and Specifications and the same shall thereupon be final. If Tenant requests any changes to the Plans and Specifications, Landlord shall make those changes which are reasonably requested by Tenant and shall within ten (10) days of its receipt of such request submit the revised portion of the Plans and Specifications to Tenant. Provided that Landlord delivers the plans back to Tenant with the necessary changes made to the satisfaction of the Tenant, then Tenant may not thereafter disapprove the revised portions of the Plans and Specifications unless Landlord has unreasonably failed to incorporate reasonable comments of Tenant and, subject to the foregoing, the Plans and Specifications, as modified by said revisions, shall be deemed to be final upon the submission of said revisions to Tenant. Landlord and Tenant shall at all times in their review of the Plans and Specifications, and of any revisions thereto, act reasonably and in good faith. Tenant acknowledges that the Improvements are being constructed on a "fast track" basis and that Landlord shall have the right and option to submit various parts of the proposed Plans and Specifications from time to time during said thirty (30) day period and the time period for approval of any part of the proposed Plans and Specifications shall commence upon receipt of each submission. After Tenant has approved the Plans and Specifications or the Plans and Specifications have otherwise been finalized pursuant to the procedures set forth hereinabove, any subsequent changes to the Plans and Specifications requested by Tenant (herein referred to as a "Change Order") shall be at Tenant's sole cost and expense and subject to Landlord's written approval, which approval shall not be unreasonably withheld, conditioned or delayed. In the event Landlord approves any such requested Change Order, Landlord shall give written notice thereof to Tenant, which notice will specify the Change Order approved by Landlord as well as the estimated incremental cost thereof. The cost to Tenant for Change Orders shall be Landlord's incremental cost plus seven percent (7%) of such incremental amount as Landlord's overhead. Tenant acknowledges and agrees that Landlord shall be under no obligation to proceed with any work related to the approved Change Order unless and until Tenant delivers to Landlord an amount equal to the full estimated incremental cost of such approved Change Order as set forth in Landlord's notice. When the final incremental cost of any such Change Order has been determined and incurred, Landlord and Tenant each agree to pay or refund the amounts owed to the other with respect to such Change Order, based on the estimated payment made to Landlord. If after the Plans and Specifications have been finalized pursuant to the procedures set forth hereinabove Tenant requests a Change Order or any further changes to the Plans and Specifications and, as a result thereof, Substantial Completion (as hereinafter defined) of the Improvements is delayed, then for purposes of establishing the Lease Commencement Date and any other date tied to the date of Substantial Completion, Substantial Completion shall be deemed to mean the date when Substantial Completion would have been achieved but for such Tenant delay.
- (b) Landlord shall use reasonable speed and diligence to Substantially Complete the Improvements, at Landlord's sole cost and expense, and have the Demised Premises ready for occupancy on or before October 1, 2007, provided that, subject to Special Stipulation 3 on Exhibit C hereto, Landlord shall not be liable to Tenant in any way for achieving Substantial Completion after such target date, and any such failure to complete by such target date shall

not in any way affect the obligations of Tenant hereunder. No liability whatsoever shall arise or accrue against Landlord by reason of its failure to deliver or afford possession of the Demised Premises, and Tenant hereby releases and discharges Landlord from and of any claims for damage, loss, or injury of every kind whatsoever as if this Lease were never executed.

- (c) Landlord shall notify Tenant at least ten (10) days prior to the anticipated date of Substantial Completion of the Demised Premises, and a representative of Landlord and a representative of Tenant together shall, prior to such anticipated date, inspect the Demised Premises to confirm that the Demised Premises are nearly Substantially Complete. Within fourteen (14) days after Substantial Completion of the Demised Premises, a representative of Landlord and a representative of Tenant together shall generate a punchlist of defective or uncompleted items relating to the completion of construction of the Improvements other than any damage caused by Tenant, its contractors, employees or agents (the "Punchlist"). Landlord shall, within a reasonable time after the Punchlist is prepared and agreed upon by Landlord and Tenant, complete such incomplete work and remedy such defective work as is set forth on the Punchlist. All construction work performed by Landlord shall be deemed approved by Tenant in all respects except for items of said work which are not completed or do not conform to the Plans and Specifications and which are included on the Punchlist.
- (d) Reserved.
- (e) Landlord hereby warrants to Tenant, which warranty shall survive for the one (1) year period following the Lease Commencement Date (the "Landlord Warranty Period"), that (i) the materials and equipment furnished by Landlord's contractors in the completion of the Improvements will be of first class quality, new and installed in a good and workmanlike manner, and (ii) such materials and equipment and the work of such contractors shall be free from defects not inherent in the quality required or permitted hereunder. This warranty shall exclude damages or defects caused by Tenant or Tenant's Affiliates, improper or insufficient maintenance, improper operation, and normal wear and tear under normal usage. Subject to Landlord's right to enforce the same during the Landlord Warranty Period, Landlord grants to Tenant in common with Landlord, until the expiration or earlier termination of the Term, without recourse to or warranty from Landlord in respect thereof, a non-exclusive right during the Term to exercise Landlord's rights under any warranties obtained with respect to the heating, ventilation and air conditioning system, or any other portions of the Improvements within the Demised Premises required to be maintained or repaired by Tenant pursuant to this Lease.
- (f) For purposes of this Lease, the term "Substantial Completion" (or any variation thereof) shall mean completion of construction of the Improvements in accordance with the Plans and Specifications, subject only to Punchlist items established pursuant to Section 17(c), as established by the delivery by Landlord to Tenant of (i) a certificate of occupancy or its equivalent (or temporary certificate of occupancy or its equivalent) for the Demised Premises issued by the appropriate governmental authority, if a certificate is so required by a governmental authority, and (ii) a Certificate of Substantial Completion for the Improvements on Standard AIA Form G-704 certified by Landlord's architect (or, in the event that Tenant shall object to Landlord's architect making such certification, then as certified by a third party architect reasonably acceptable to both Landlord and Tenant, at the mutual expense of Landlord and Tenant), confirming that the Improvements have been substantially completed subject only to the completion of items the incompletion of which does not materially impair the ability of Tenant to operate its business within the Demised Premises, and outlining, in the good faith judgment of such architect, which items can be completed within thirty (30) days thereafter. In the event Substantial Completion is delayed because of Tenant's failure to approve the Plans and Specifications as set forth in Section 17(a), by change orders requested by Tenant after approval of the Plans and Specifications or by any other Tenant Delay, then for the purpose of establishing the Lease Commencement Date and any other date tied to the date of Substantial Completion, Substantial Completion shall be deemed to mean the date when Substantial Completion would have been achieved but for such delay. Tenant hereby acknowledges that certain outdoor improvements shall not be required to be completed for

Substantial Completion of the Demised Premises to occur, provided that Landlord shall promptly complete any such exterior work promptly after the date of Substantial Completion as weather permits. Landlord hereby covenants that, promptly after Substantial Completion, Landlord will ensure that no mechanic's or materialmen's liens will exist on the Land or any improvements thereon related to the construction thereof which relates to work to be paid for by Landlord (and will deliver to Tenant evidence that no such liens exist or can thereafter be filed with respect to work associated with the construction of the Building and the other improvements on the Land, including the buildout of the Demised Premises).

18. Tenant Alterations and Additions.

- (a) Tenant shall not make or permit to be made any alterations, improvements, or additions to the Demised Premises (other than those modifications the cost of which does not exceed \$15,000 per project and which do not involve modifications to the roof, exterior walls, foundation, structural supports or HVAC and plumbing systems of the Building) (each such alteration, improvement or addition, other than the excluded modifications, is referred to herein as a "Tenant's Change"), without first obtaining on each occasion Landlord's prior written consent (which consent Landlord agrees not to unreasonably withhold). The installation and removal of Tenant's trade fixtures within or from the Demised Premises shall not constitute a "Tenant's Change" for purposes hereof. As part of its approval process, Landlord may require that Tenant submit plans and specifications to Landlord, for Landlord's approval or disapproval, which approval shall not be unreasonably withheld. All Tenant's Changes shall be performed in accordance with all legal requirements applicable thereto and in a good and workmanlike manner with first-class materials. Tenant shall maintain insurance reasonably satisfactory to Landlord during the construction of all Tenant's Changes. Any request from Tenant for approval of a proposed Tenant's Change shall include a request for Landlord to determine whether Landlord will require such Tenant's Change to be removed at the expiration of the Lease as a condition to such approval. If Landlord at the time of giving its approval to any Tenant's Change notifies Tenant in writing that approval is not conditioned upon removal of Tenant's Change at the termination or expiration of this Lease, then Tenant shall not be required to remove the applicable Tenant's Change at the termination or expiration of this Lease; provided, however, that if such approval is conditioned on removal, then Tenant shall, at its sole cost and expense and at Landlord's option upon the termination or expiration of this Lease, remove the same and restore the Demised Premises to its condition prior to such Tenant's Change. No Tenant's Change shall be structural in nature or impair the structural strength of the Building or reduce its value. Tenant shall pay the full cost of any Tenant's Change and shall give Landlord such reasonable security as may be requested by Landlord to insure payment of such cost. Except as otherwise provided herein and in Section 12, all Tenant's Changes and all repairs and all other property attached to or installed on the Demised Premises by or on behalf of Tenant shall immediately upon completion or installation thereof be and become part of the Demised Premises and the property of Landlord without payment therefor by Landlord and shall be surrendered to Landlord upon the expiration or earlier termination of this Lease.
- (b) To the extent permitted by law, all of Tenant's contracts and subcontracts for such Tenant's Changes shall provide that no lien shall attach to or be claimed against the Demised Premises or any interest therein other than Tenant's leasehold interest in the Demised Premises, and that all subcontracts let thereunder shall contain the same provision. Whether or not Tenant furnishes the foregoing, Tenant agrees to hold Landlord harmless from, and defend against (with legal counsel acceptable to Landlord) all liens, claims and liabilities of every kind, nature and description which may arise out of or in any way be connected with such work. Tenant shall not permit the Demised Premises to become subject to any mechanics', laborers' or materialmen's lien on account of labor, material or services furnished to Tenant or claimed to have been furnished to Tenant in connection with work of any character performed or claimed to have been performed for the Demised Premises by, or at the direction or sufferance of Tenant and if any such liens are filed against the Demised Premises, Tenant shall promptly discharge the same; provided, however, that Tenant shall have the right to contest, in good faith and with reasonable diligence, the validity of any such lien or claimed lien if Tenant shall

give to Landlord, within fifteen days after demand, such security as may be reasonably satisfactory to Landlord to assure payment thereof and to prevent any sale, foreclosure, or forfeiture of Landlord's interest in the Demised Premises by reason of non-payment thereof; provided further that on final determination of the lien or claim for lien, Tenant shall immediately pay any judgment rendered, with all proper costs and charges, and shall have the lien released and any judgment satisfied. If Tenant fails to post such security or does not diligently contest such lien, Landlord may, without investigation of the validity of the lien claim, discharge such lien and Tenant shall reimburse Landlord upon demand for all costs and expenses incurred in connection therewith, which expenses shall include any attorneys' fees, paralegals' fees and any and all costs associated therewith, including litigation through all trial and appellate levels and any costs in posting bond to effect a discharge or release of the lien. Nothing contained in this Lease shall be construed as consent on the part of Landlord to subject the Demised Premises to liability under any lien law now or hereafter existing of the state in which the Demised Premises are located.

19. Services by Landlord. Landlord shall be responsible for providing for maintenance of the Building Common Area, and, except as required by Section 10(b) hereof or as otherwise specifically provided for herein, Landlord shall be responsible for no other services whatsoever. Tenant, by payment of Tenant's share of the Operating Expenses, shall pay Tenant's pro rata share of the expenses incurred by Landlord hereunder.
20. Fire and Other Casualty. In the event the Demised Premises are damaged by fire or other casualty insured by Landlord (or required to be insured by Landlord pursuant to the terms of this Lease), Landlord agrees to promptly restore and repair the Demised Premises at Landlord's expense, including the Improvements to be insured by Tenant to the extent Landlord receives insurance proceeds therefor, including the proceeds from the insurance required to be carried by Tenant on the Improvements. Notwithstanding the foregoing, in the event that the Demised Premises are (i) in the reasonable opinion of Landlord, so destroyed that they cannot be repaired or rebuilt within one hundred eighty (180) days after the date of such damage; or (ii) destroyed by a casualty which is not covered by Landlord's insurance (or insurance that Landlord is required to carry pursuant to the terms of this Lease), or if such casualty is covered by Landlord's insurance but Lender or other party entitled to insurance proceeds fails to make such proceeds available to Landlord in an amount sufficient for restoration of the Demised Premises, then Landlord shall give written notice to Tenant (the "Determination Notice") within forty-five (45) days of such casualty. Either Landlord or Tenant may terminate and cancel this Lease effective as of the date of such casualty by giving written notice to the other party within thirty (30) days after Tenant's receipt of the Determination Notice. Upon the giving of such termination notice, all obligations hereunder with respect to periods from and after the effective date of termination shall thereupon cease and terminate. If no such termination notice is given, Landlord shall (but only to the extent of the available insurance proceeds) make such repair or restoration of the Demised Premises to the approximate condition existing prior to such casualty, promptly and in such manner as not to unreasonably interfere with Tenant's use and occupancy of the Demised Premises (if Tenant is still occupying the Demised Premises). Base Rent and Additional Rent shall proportionately abate during the time that the Demised Premises or any part thereof are unusable by reason of any such damage thereto, and shall abate entirely if the Demised Premises cannot be practicably used by Tenant for the normal conduct of its business therein as a result of such casualty. In the event that Landlord is unable to Substantially Complete the repair or restore the Demised Premises on or before the date which is the one hundred eightieth (180th) day after Tenant's receipt of the Determination Notice, as extended by Tenant Delay (as defined in Special Stipulation 3(c)) and as may be extended for a period of up to sixty (60) days for Force Majeure Delay (as defined in Special Stipulation 3(c)), Tenant may, at its option and as its sole remedy, terminate this Lease by written notice to Landlord given within thirty (30) days thereafter (provided that Landlord has not completed such repair or restoration prior to Landlord's receipt of said termination notice), and thereafter neither Landlord nor Tenant shall have any further obligation hereunder.
21. Condemnation.
- (a) If all of the Demised Premises is taken or condemned for a public or quasi-public use, or if (i) a material portion of the Demised Premises (or the property owned by Landlord on which the Building is located which provides a necessary means of access to the Demised Premises) is

taken or condemned for a public or quasi-public use and the remaining portion thereof is not practicably usable by Tenant in the reasonable opinion of Tenant, acting reasonably and in good faith, and, with respect to such loss of access, Landlord does not promptly provide reasonably acceptable alternative access, or (ii) Landlord determines in good faith that the award from any proceeding with respect to such taking or condemnation will be inadequate to restore the Demised Premises, then either party may terminate this Lease as of the earlier of the date title to the condemned real estate vests in the condemnor or the date on which Tenant is deprived of possession of the Demised Premises. In such event, the Base Rent herein reserved and all Additional Rent and other sums payable hereunder shall be apportioned and paid in full by Tenant to Landlord to that date, all Base Rent, Additional Rent and other sums payable hereunder prepaid for periods beyond that date shall forthwith be repaid by Landlord to Tenant, and neither party shall thereafter have any liability hereunder, except that any obligation or liability of either party, actual or contingent, under this Lease which has accrued on or prior to such termination date shall survive for the period specified herein with respect to such obligation or liability.

- (b) If only part of the Demised Premises is taken or condemned for a public or quasi-public use and this Lease does not terminate pursuant to Section 21(a), Landlord shall, to the extent of the award it receives, restore the Demised Premises to a condition and to a size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the taking, and there shall be an equitable adjustment to the Base Rent and Additional Rent based on the actual loss of use of the Demised Premises suffered by Tenant from the taking (and, pending the restoration of the Demised Premises, if the Demised Premises cannot be practicably used by Tenant for the normal conduct of its business therein, rent shall abate completely). In the event that Landlord is unable to Substantially Complete the restoration of the Demised Premises as provided herein on or before the date which is the one hundred eightieth (180th) day after such taking or condemnation, as extended by Tenant Delay and as may be extended for a period of up to sixty (60) days for Force Majeure Delay, Tenant may, at its option and as its sole remedy, terminate this Lease by written notice to Landlord given within thirty (30) days thereafter (provided that Landlord has not restored the Demised Premises prior to Landlord's receipt of such notice), and thereafter neither Landlord nor Tenant shall have any further obligation hereunder.
- (c) Landlord shall be entitled to receive the entire award in any proceeding with respect to any taking provided for in this Section 21, without deduction therefrom for any estate vested in Tenant by this Lease, and Tenant shall receive no part of such award. Nothing herein contained shall be deemed to prohibit Tenant from making a separate claim, against the condemnor, to the extent permitted by law, for the value of Tenant's moveable trade fixtures, machinery, moving expenses, the loss of business opportunity or such other damages as may be suffered by Tenant, provided that (i) Tenant shall not be entitled to make a claim for the value of the leasehold estate created hereby, and (ii) the making of such claim shall not and does not adversely affect or diminish Landlord's award.

22. Tenant's Default.

- (a) The occurrence of any one or more of the following events shall constitute an "Event of Default" of Tenant under this Lease:
 - (i) if Tenant fails to pay Base Rent or any Additional Rent hereunder as and when such rent becomes due and such failure shall continue for more than five (5) days after Landlord gives written notice to Tenant of such failure;
 - (ii) if Tenant fails to pay Base Rent or any Additional Rent within 5 days of when due more than three (3) times in any period of twelve (12) consecutive months, notwithstanding that such payments have been made after Landlord's notice to Tenant of such failure;

- (iii) if the Demised Premises become deserted, or abandoned for more than ten (10) consecutive days and are not properly secured and maintained in the manner required by this Lease;
 - (iv) if Tenant permits to be done anything which creates a lien upon the Demised Premises and fails to discharge or bond such lien, or post security with Landlord acceptable to Landlord, in either case within thirty (30) days after receipt by Tenant of written notice thereof from Landlord;
 - (v) if Tenant fails to maintain in force all policies of insurance required by this Lease and such failure shall continue for more than ten (10) days after Landlord gives Tenant written notice of such failure;
 - (vi) if any petition is filed by or against Tenant or any guarantor of this Lease under any present or future section or chapter of the Bankruptcy Code, or under any similar law or statute of the United States or any state thereof (which, in the case of an involuntary proceeding, is not discharged, dismissed, stayed, or vacated, as the case may be, within sixty (60) days of commencement), or if any order for relief shall be entered against Tenant or any guarantor of this Lease in any such proceedings;
 - (vii) if Tenant or any guarantor of this Lease becomes insolvent or makes a transfer in fraud of creditors or makes a general assignment for the benefit of creditors;
 - (viii) if a receiver, custodian, or trustee is appointed for the Demised Premises or for all or substantially all of the assets of Tenant or of any guarantor of this Lease, which appointment is not vacated within sixty (60) days following the date of such appointment; or
 - (ix) if Tenant fails to perform or observe any other term of this Lease and such failure shall continue for more than thirty (30) days after Landlord gives Tenant written notice of such failure, or, if such failure cannot be corrected within such thirty (30) day period, if Tenant does not commence to correct such default within said thirty (30) day period and thereafter diligently prosecute the correction of same to completion within a reasonable time.
- (b) Upon the occurrence of any one or more Events of Default, Landlord may, at Landlord's option, without any demand or notice whatsoever (except as expressly required in this Section 22):
- (i) Terminate this Lease by giving Tenant notice of termination, in which event this Lease shall expire and terminate on the date specified in such notice of termination and all rights of Tenant under this Lease and in and to the Demised Premises shall terminate. Tenant shall remain liable for all obligations under this Lease related to the period up to the date of such termination (but shall be released from all obligations related to the period from and after the date of such termination, including, without limitation, all rent and Operating Expenses for related to the period after the date of such termination), and Tenant shall surrender the Demised Premises to Landlord on the date specified in such notice; or Terminate this Lease as provided in Section 22(b)(i) hereof (but without releasing Tenant from obligations under the Lease related to the period after such termination) and recover from Tenant all damages Landlord may incur by reason of Tenant's default, including, without limitation, an amount which, at the date of such termination, is calculated as follows: (1) the value of the excess, if any, of (A) the Base Rent, Additional Rent and all other sums which would have been payable hereunder by Tenant for the period commencing with the day following the date of such termination and ending with the Expiration Date had this Lease not been terminated (the "Remaining Term"), over (B) the aggregate reasonable rental value of the Demised Premises for the Remaining Term (which excess, if any shall be discounted to present value at the "Treasury Yield" as defined below for the Remaining Term); plus (2) the costs of recovering

possession of the Demised Premises and all other out-of-pocket expenses incurred by Landlord due to Tenant's default, including, without limitation, reasonable attorney's fees actually incurred; plus (3) the unpaid Base Rent and Additional Rent earned as of the date of termination plus any interest and late fees due hereunder, plus other sums of money and damages owing on the date of termination by Tenant to Landlord under this Lease or in connection with the Demised Premises. The amount as calculated above shall be deemed immediately due and payable. The payment of the amount calculated in subparagraph (ii)(1) shall not be deemed a penalty but shall merely constitute payment of liquidated damages, it being understood and acknowledged by Landlord and Tenant that actual damages to Landlord are extremely difficult, if not impossible, to ascertain. "Treasury Yield" shall mean the rate of return in percent per annum of Treasury Constant Maturities for the length of time specified as published in document H.15(519) (presently published by the Board of Governors of the U.S. Federal Reserve System titled "Federal Reserve Statistical Release") for the calendar week immediately preceding the calendar week in which the termination occurs. If the rate of return of Treasury Constant Maturities for the calendar week in question is not published on or before the business day preceding the date of the Treasury Yield in question is to become effective, then the Treasury Yield shall be based upon the rate of return of Treasury Constant Maturities for the length of time specified for the most recent calendar week for which such publication has occurred. If no rate of return for Treasury Constant Maturities is published for the specific length of time specified, the Treasury Yield for such length of time shall be the weighted average of the rates of return of Treasury Constant Maturities most nearly corresponding to the length of the applicable period specified. If the publishing of the rate of return of Treasury Constant Maturities is ever discontinued, then the Treasury Yield shall be based upon the index which is published by the Board of Governors of the U.S. Federal Reserve System in replacement thereof or, if no such replacement index is published, the index which, in Landlord's reasonable determination, most nearly corresponds to the rate of return of Treasury Constant Maturities. In determining the aggregate reasonable rental value pursuant to subparagraph (ii)(1)(B) above, the parties hereby agree that, at the time Landlord seeks to enforce this remedy, all relevant factors should be considered, including, but not limited to, (a) the length of time remaining in the Remaining Term, (b) the then current market conditions in the general area in which the Building is located, (c) the likelihood of reletting the Demised Premises for a period of time equal to the remainder of the Term, (d) the net effective rental rates then being obtained by landlords for similar type space of similar size in similar type buildings in the general area in which the Building is located, (e) the vacancy levels in the general area in which the Building is located, (f) current levels of new construction that will be completed during the Remaining Term and how this construction will likely affect vacancy rates and rental rates and (g) inflation; or

- (ii) Without terminating this Lease, to the extent allowed by applicable law, upon any Event of Default resulting from an event described in any of items 22(a)(i), 22(a)(vi), 22(a)(vii), or 22(a)(viii), declare immediately due and payable the sum of the following: (1) the present value (calculated using the "Treasury Yield") of all Base Rent and Additional Rent due and coming due under this Lease for the entire Remaining Term (as if by the terms of this Lease they were payable in advance), plus (2) the cost of recovering and reletting the Demised Premises and all other expenses incurred by Landlord in connection with Tenant's default, plus (3) any unpaid Base Rent, Additional Rent and other rentals, charges, assessments and other sums owing by Tenant to Landlord under this Lease or in connection with the Demised Premises as of the date this provision is invoked by Landlord, plus (4) interest on all such amounts from the date due at the Interest Rate, and Landlord may immediately proceed to distrain, collect, or bring action for such sum, or may file a proof of claim in any bankruptcy or insolvency proceedings to enforce payment thereof; provided, however, that such payment shall not be deemed a penalty or liquidated damages, but shall merely constitute payment in advance of all Base Rent and Additional Rent

payable hereunder throughout the Term, and provided further, however, that upon Landlord receiving such payment, Tenant shall be entitled to receive from Landlord all rents received by Landlord from other assignees, tenants and subtenants on account of said Demised Premises during the remainder of the Term (provided that the monies to which Tenant shall so become entitled shall in no event exceed the entire amount actually paid by Tenant to Landlord pursuant to this subparagraph (iii)), less all costs, expenses and attorneys' fees of Landlord incurred but not yet reimbursed by Tenant in connection with recovering and reletting the Demised Premises; or

- (iii) Without terminating this Lease, under the authority of an appropriate court order, in its own name but as agent for Tenant, enter into and upon and take possession of the Demised Premises or any part thereof. Any property remaining in the Demised Premises may be removed and stored in a warehouse or elsewhere at the cost of, and for the account of, Tenant without Landlord being deemed guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby unless caused by Landlord's negligence or willful misconduct. Thereafter, Landlord may, but shall not be obligated to, lease to a third party the Demised Premises or any portion thereof as the agent of Tenant upon such terms and conditions as Landlord reasonably deems necessary in order to relet the Demised Premises. The remainder of any rentals received by Landlord from such reletting, after the payment of any indebtedness due hereunder from Tenant to Landlord, and the payment of any costs and expenses of such reletting, shall be held by Landlord to the extent of and for application in payment of future rent owed by Tenant, if any, as the same may become due and payable hereunder. If such rentals received from such reletting shall at any time or from time to time be less than sufficient to pay to Landlord the entire sums then due from Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for any such previous default provided same has not been cured; or
 - (iv) Without terminating this Lease, with notice to Tenant, enter into and upon the Demised Premises and, without being liable for prosecution or any claim for damages therefor, maintain the Demised Premises and repair or replace any damage thereto that was the responsibility of the Tenant to maintain, repair or replace (and which Tenant failed to do), or do anything or make any payment for which Tenant is responsible hereunder (and which Tenant failed to do). Tenant shall reimburse Landlord within ten (10) days after Tenant's receipt of demand for any expenses which Landlord incurs in thus effecting Tenant's compliance under this Lease and Landlord shall not be liable to Tenant for any damages with respect thereto (and, upon Landlord's receipt of such payment, any Event of Default occasioned by the related failure of Tenant to maintain the condition of the Demised Premises shall be deemed to be cured); or
 - (v) Without liability to Tenant or any other party and without constituting a constructive or actual eviction, suspend or discontinue furnishing or rendering to Tenant any property, material, labor, utilities or other service, wherever Landlord is obligated to furnish or render the same so long as an Event of Default exists under this Lease; or
 - (vi) With or without terminating this Lease, allow the Demised Premises to remain unoccupied and collect rent from Tenant as it comes due; provided, however, that notwithstanding anything contained herein to the contrary, Landlord shall use reasonable efforts to mitigate its damages to the extent required by applicable law; or
 - (vii) Pursue such other remedies as are available at law or equity.
- (c) If this Lease shall terminate as a result of or while there exists an Event of Default hereunder, any funds of Tenant held by Landlord may be applied by Landlord to any damages payable by Tenant (whether provided for herein or by law) as a result of such termination or default.

- (d) Neither the commencement of any action or proceeding, nor the settlement thereof, nor entry of judgment thereon shall bar Landlord from bringing subsequent actions or proceedings from time to time, nor shall the failure to include in any action or proceeding any sum or sums then due be a bar to the maintenance of any subsequent actions or proceedings for the recovery of such sum or sums so omitted.
 - (e) No agreement to accept a surrender of the Demised Premises and no act or omission by Landlord or Landlord's agents during the Term shall constitute an acceptance or surrender of the Demised Premises unless made in writing and signed by Landlord. No re-entry or taking possession of the Demised Premises by Landlord shall constitute an election by Landlord to terminate this Lease unless a written notice of such intention is given to Tenant. No provision of this Lease shall be deemed to have been waived by either party unless such waiver is in writing and signed by the party making such waiver. Landlord's acceptance of Base Rent or Additional Rent in full or in part following an Event of Default hereunder shall not be construed as a waiver of such Event of Default. No custom or practice which may grow up between the parties in connection with the terms of this Lease shall be construed to waive or lessen either party's right to insist upon strict performance of the terms of this Lease, without a written notice thereof to the other party.
 - (f) If an Event of Default shall occur, Tenant shall pay to Landlord, within ten (10) days after demand, all expenses incurred by Landlord as a result thereof, including reasonable attorneys' fees, court costs and expenses actually incurred.
23. Landlord's Right of Entry. Tenant agrees to permit Landlord and the authorized representatives of Landlord and of Lender to enter upon the Demised Premises at all reasonable times for the purposes of inspecting the Demised Premises and Tenant's compliance with this Lease, and making any necessary repairs thereto; provided that, (i) except in the case of an emergency, Landlord shall give Tenant reasonable prior notice of Landlord's intended entry upon the Demised Premises and (ii) except in the case of an emergency, Tenant shall be entitled to have a representative accompany Landlord upon such entry. Nothing herein shall imply any duty upon the part of Landlord to do any work required of Tenant hereunder, and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform it. Landlord shall not be liable for inconvenience, annoyance, disturbance or other damage to Tenant by reason of making such repairs or the performance of such work in the Demised Premises or on account of bringing materials, supplies and equipment into or through the Demised Premises during the course thereof, and the obligations of Tenant under this Lease shall not thereby be affected; provided, however, that Landlord shall use reasonable efforts not to disturb or otherwise interfere with Tenant's operations in the Demised Premises in making such repairs or performing such work. Landlord also shall have the right to enter the Demised Premises at all reasonable times to exhibit the Demised Premises to any prospective purchaser, mortgagee or tenant thereof (provided that prospective tenants may only be shown the Demised Premises within the last six (6) months of the Term of the Lease); provided, however, that in no event shall Landlord be entitled to allow any competitor of Tenant access into the Demised Premises without the prior written consent of the Tenant (to be granted or withheld in its sole discretion).
24. Lender's Rights.
- (a) For purposes of this Lease:
 - (i) "Lender" as used herein means the holder of a Mortgage;
 - (ii) "Mortgage" as used herein means any or all mortgages, deeds to secure debt, deeds of trust or other instruments in the nature thereof which may now or hereafter affect or encumber Landlord's title to the Demised Premises, and any amendments, modifications, extensions or renewals thereof.
 - (b) Subject to the provisions of Section 24(f) below, this Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien and security title of any Mortgage. Tenant recognizes and acknowledges the right of Lender to foreclose or exercise the power of sale against the Demised Premises under any Mortgage.

- (c) Tenant shall, in confirmation of the subordination set forth in Section 24(b) and notwithstanding the fact that such subordination is self-operative, and no further instrument or subordination shall be necessary, upon demand, at any time or times, execute, acknowledge, and deliver to Landlord or to Lender any and all instruments requested by either of them to evidence such subordination.
- (d) At any time during the Term, Lender may, by written notice to Tenant, make this Lease superior to the lien of its Mortgage. If requested by Lender, Tenant shall, upon demand, at any time or times, execute, acknowledge, and deliver to Lender, any and all instruments that may be necessary to make this Lease superior to the lien of any Mortgage.
- (e) If Lender (or Lender's nominee, or other purchaser at foreclosure) shall hereafter succeed to the rights of Landlord under this Lease, whether through possession or foreclosure action or delivery of a new lease, Tenant shall, if requested by such successor, attorn to and recognize such successor as Tenant's landlord under this Lease without change in the terms and provisions of this Lease and shall promptly execute and deliver any instrument that may be necessary to evidence such attornment.
- (f) Notwithstanding anything to the contrary contained in this Section 24, this Lease and all rights of Tenant hereunder are and shall be subject and subordinate to the lien and security title of any Mortgage provided only that the holder of said Mortgage agrees not to disturb Tenant's possession of the Demised Premises so long as Tenant is not in default hereunder beyond any applicable grace or cure period, as evidenced by a subordination and non-disturbance agreement signed by said holder which agreement may include (a) a requirement that said holder be given notice and opportunity to cure a landlord default and (b) other provisions customarily required by lenders and reasonably acceptable to Tenant. Attached hereto as Exhibit F is a form of such subordination and non-disturbance agreement which is acceptable to Landlord and Tenant. Tenant shall within fifteen (15) days of demand thereof execute such a subordination and non-disturbance agreement upon Landlord's request.

25. Estoppel Certificate and Financial Statement.

- (a) Landlord and Tenant agree, at any time, and from time to time, within fifteen (15) days after written request of the other, to execute, acknowledge and deliver a statement in writing in recordable form to the requesting party and/or its designee certifying that: (i) this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same is in full force and effect, as modified), (ii) the dates to which Base Rent, Additional Rent and other charges have been paid, (iii) whether or not, to the best of its knowledge, there exists any failure by the requesting party to perform any term, covenant or condition contained in this Lease, and, if so, specifying each such failure, (iv) (if such be the case) Tenant has unconditionally accepted the Demised Premises and is conducting its business therein, and (v) and as to such additional matters as may be requested, it being intended that any such statement delivered pursuant hereto may be relied upon by the requesting party and by any purchaser of title to the Demised Premises or by any mortgagee or any assignee thereof or any party to any sale-leaseback of the Demised Premises, or the landlord under a ground lease affecting the Demised Premises.
- (b) If Landlord desires to finance, refinance, or sell the Building, Tenant and all guarantors of Tenant's obligations hereunder, if any, shall deliver to any potential lender or purchaser designated by Landlord such financial statements of Tenant and such guarantors as may be reasonably required by such lender or purchaser, including but not limited to Tenant's financial statements for the past 3 years so long as such lender or purchaser signs a confidentiality agreement in a form reasonably acceptable to such lender or purchaser and to Tenant and all guarantors of Tenant's obligations hereunder.

26. Landlord Liability. NO OWNER OF THE DEMISED PREMISES, WHETHER OR NOT NAMED HEREIN, SHALL HAVE LIABILITY HEREUNDER AFTER IT CEASES TO HOLD TITLE TO THE DEMISED PREMISES. NEITHER LANDLORD NOR ANY OFFICER, DIRECTOR, SHAREHOLDER, PARTNER OR PRINCIPAL OF LANDLORD, WHETHER DISCLOSED OR

UNDISCLOSED, SHALL BE UNDER ANY PERSONAL LIABILITY WITH RESPECT TO ANY OF THE PROVISIONS OF THIS LEASE. IN THE EVENT LANDLORD IS IN BREACH OR DEFAULT WITH RESPECT TO LANDLORD'S OBLIGATIONS OR OTHERWISE UNDER THIS LEASE, TENANT SHALL LOOK SOLELY TO THE EQUITY OF LANDLORD IN THE BUILDING FOR THE SATISFACTION OF TENANT'S REMEDIES. IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT LANDLORD'S LIABILITY UNDER THE TERMS, COVENANTS, CONDITIONS, WARRANTIES AND OBLIGATIONS OF THIS LEASE SHALL IN NO EVENT EXCEED LANDLORD'S EQUITY INTEREST IN THE BUILDING.

27. Notices. Any notice required or permitted to be given or served by either party to this Lease shall be deemed given when made in writing, and either (i) personally delivered, (ii) deposited with the United States Postal Service, postage prepaid, by registered or certified mail, return receipt requested, or (iii) delivered by a nationally recognized overnight delivery service providing proof of delivery, properly addressed to the address set forth in Section 1(m) (as the same may be changed by giving written notice of the aforesaid in accordance with this Section 27). If any notice mailed is properly addressed with appropriate postage but returned for any reason, such notice shall be deemed to be effective notice and to be given on the date of mailing. Any notice required or permitted to be given or served by Landlord or Tenant to this Lease may be given by either an agent, law firm or attorney acting on behalf of Landlord or Tenant; provided, however, that such notice must expressly state that it is being given on behalf of Landlord or Tenant, as applicable.
28. Brokers. Each of Tenant and Landlord represents and warrants to the other that, except for those parties set forth in Section 1(o) (the "Brokers"), neither has engaged or had any conversations or negotiations with any broker, finder or other third party concerning the leasing of the Demised Premises to Tenant who would be entitled to any commission or fee based on the execution of this Lease. Each of Tenant and Landlord hereby indemnifies the other against and from any claims for any brokerage commissions (except those payable to the Brokers, all of which are payable by Landlord pursuant to a separate agreement) and all costs, expenses actually incurred and liabilities in connection therewith, including, without limitation, reasonable attorneys' fees and expenses, for any breach of the foregoing. The foregoing indemnification shall survive the expiration or earlier termination of this Lease for any reason.
29. Assignment and Subleasing.
- (a) Tenant may not assign, mortgage, pledge, encumber or otherwise transfer this Lease, or any interest hereunder, or sublet the Demised Premises, in whole or in part, without on each occasion first obtaining the prior express written consent of Landlord, which consent Landlord shall not unreasonably withhold, condition or delay. Any change in control of Tenant resulting from a merger, consolidation, stock transfer or asset sale shall be considered an assignment or transfer which requires Landlord's prior written consent (unless Tenant or any guarantor is then a publicly traded company or becomes a publicly traded company as a result of such stock transfer). For purposes of this Section 29, by way of example and not limitation, Landlord shall be deemed to have reasonably withheld consent if Landlord determines (i) that the prospective assignee or subtenant has a poor business reputation, or (ii) that the proposed use of the Demised Premises by such prospective assignee or subtenant (including, without limitation, a use involving the use or handling of Hazardous Substances) will negatively affect the value or marketability of the Building or the Project.
 - (b) Notwithstanding Section 29(a) above, provided that there then exists no Event of Default under this Lease which remains uncured, Tenant shall have the right, upon twenty (20) days' prior written notice to Landlord but without Landlord's prior consent, (i) to sublet or assign (including by way of merger) all or part of the Demised Premises to any related entity which controls Tenant, is controlled by Tenant or is under common control with Tenant; or (ii) to assign this Lease to a successor entity into which or with which Tenant is merged or consolidated or which acquired substantially all of Tenant's assets and property or stock (other than by a transfer contemplated by the immediately preceding clause (i)), provided that such successor entity assumes substantially all of the obligations and liabilities of Tenant (including, without limitation, those obligations of Tenant arising under this Lease) and, after

such transaction, shall have a tangible net worth of at least ^{2*****]} Dollars (^{3*****]}), or, in the event that such tangible net worth shall be less than ^{4*****]}, such successor entity shall deliver to Landlord, at any time upon request of Landlord, a “Letter of Credit” as defined in Section 14 of Exhibit C to this Lease. For the purpose hereof, “control” shall mean ownership of not less than fifty percent (50%) of all the voting stock or legal and equitable interest in such entity. Any sublease or assignment pursuant to and in compliance with this subsection (b) shall be referred to herein as a “Related Assignment”. The provisions of subsection 29(c) below shall not apply to any Related Assignment; provided, however, that the written notice given by Tenant to Landlord pursuant to this subsection 29(b) must contain sufficient information and documentation to enable Landlord to confirm that all of the requirements of this subsection 29(b) have been satisfied.

- (c) If Tenant desires to assign this Lease or sublet the Demised Premises or any part thereof, Tenant shall give Landlord written notice no later than fifteen (15) days in advance of the proposed effective date of any proposed assignment or sublease, specifying (i) the name and business of the proposed assignee or sublessee, (ii) the amount and location of the space within the Demised Premises proposed to be subleased, (iii) the proposed effective date and duration of the assignment or subletting and (iv) the proposed rent or consideration to be paid to Tenant by such assignee or sublessee. Tenant shall promptly supply Landlord with financial statements and other information as Landlord may reasonably request to evaluate the proposed assignment or sublease so long as Landlord delivers to Tenant a confidentiality agreement in a form reasonably acceptable to Tenant. Landlord shall have a period of fifteen (15) days following receipt of such notice and other information requested by Landlord within which to notify Tenant in writing that Landlord elects: (i) to permit Tenant to assign or sublet such space; provided, however, that, if the rent rate agreed upon between Tenant and its proposed subtenant is greater than the rent rate that Tenant must pay Landlord hereunder for that portion of the Demised Premises, or if any consideration shall be promised to or received by Tenant in connection with such proposed assignment or sublease (in addition to rent), then one half (1/2) of such excess rent and other consideration (after payment of brokerage commissions, attorneys’ fees and other disbursements actually and in good faith incurred by Tenant for such assignment and subletting if acceptable evidence of such disbursements is delivered to Landlord) shall be considered Additional Rent owed by Tenant to Landlord, and shall be paid by Tenant to Landlord, in the case of excess rent, in the same manner that Tenant pays Base Rent and, in the case of any other consideration, within ten (10) business days after receipt thereof by Tenant; or (ii) to refuse, in Landlord’s reasonable discretion (taking into account all relevant factors including, without limitation, the factors set forth in the Section 29(a) above), to consent to Tenant’s assignment or subleasing of such space (in which case, Landlord shall provide in writing in reasonable detail its reasons for such refusal) and to continue this Lease in full force and effect as to the entire Demised Premises. If Landlord should fail to notify Tenant in writing of such election within the aforesaid fifteen (15) day period, Landlord shall be deemed to have elected option (ii) above. Tenant agrees to reimburse Landlord for reasonable legal fees and any other reasonable out-of-pocket costs incurred by Landlord in connection with any requested assignment or subletting, and such payments shall not be deducted from the Additional Rent owed to Landlord pursuant to subsection (i) above. Tenant shall deliver to Landlord copies of all documents executed in connection with any permitted assignment or subletting, which documents shall be in form and substance reasonably satisfactory to Landlord and which shall require such assignee to assume performance of all terms of this Lease on Tenant’s part to be performed.
- (d) No acceptance by Landlord of any rent or any other sum of money from any assignee, sublessee or other category of transferee shall be deemed to constitute Landlord’s consent to any assignment, sublease, or transfer. Permitted subtenants or assignees shall become liable directly to Landlord for all obligations of Tenant hereunder, without, however, relieving Tenant of any of its liability hereunder. No such assignment, subletting, occupancy or collection shall be deemed the acceptance of the assignee, tenant or occupant, as Tenant, or a

release of Tenant from the further performance by Tenant of Tenant's obligations under this Lease. Any assignment or sublease consented to by Landlord shall not relieve Tenant (or its assignee) from obtaining Landlord's consent to any subsequent assignment or sublease.

- (e) In the event of an assignment of all of Tenant's rights hereunder pursuant to the terms of Section 29(b)(ii), Tenant and any guarantor shall be released from liability hereunder. In no other event of assignment shall Tenant or any guarantor be released from primary liability hereunder without the express written approval of Landlord, which approval may be withheld by Landlord in its sole and arbitrary discretion.

30. Termination or Expiration.

- (a) No termination of this Lease prior to the normal ending thereof, by lapse of time or otherwise, shall affect Landlord's right to collect rent for the period prior to termination thereof. Notwithstanding anything to the contrary contained herein, if this Lease is rejected in any bankruptcy action or proceeding filed by or against Tenant, and the effective date of rejection is on or after the date upon which that month's Rent is due and owing, then the Rent owing under this Lease for the month during which the effective date of such rejection occurs shall be due and payable in full and shall not be prorated.
- (b) At the expiration or earlier termination of the Term of this Lease, Tenant shall surrender the Demised Premises and all improvements, alterations and additions thereto, and keys therefor to Landlord, clean and neat, and in the same condition as at the Lease Commencement Date, excepting normal wear and tear, condemnation and casualty other than that required to be insured against by Tenant hereunder.
- (c) If Tenant remains in possession of the Demised Premises after expiration of the Term, with or without Landlord's acquiescence and without any express agreement of the parties (any such period of possession being deemed a "Holdover Period"), Tenant shall be a tenant-at-sufferance and shall pay to Landlord as Base Rent (in lieu of that otherwise provided during the Term of this Lease) holdover rent ("Holdover Rent"): (i) with respect to the first 30 days of any Holdover Period, a rental payment equal [*****] percent ([*****]%) of the Monthly Base Rent Installment that was due with respect to the last month of the Term of the Lease; and (ii) with respect to each 30 day period of the Holdover Period after the first thirty day period, a rental payment equal to 4*****] percent ([*****]%) of the Monthly Base Rent Installment that was due with respect to the last month of the Term of the Lease. During any Holdover Period, Tenant shall also continue to pay all other Additional Rent due hereunder. Notwithstanding the foregoing, there shall be no renewal of this Lease by operation of law or otherwise, and, in addition to and without limiting such rights and remedies as may be available to Landlord at law or in equity as a result of Tenant's holding over beyond the Term, Landlord shall be entitled to exercise any and all rights and remedies available to Landlord in respect of an Event of Default hereunder (it being agreed that any such holdover shall be deemed an immediate Event of Default hereunder). No receipt of money by Landlord from Tenant after the termination of this Lease or Tenant's right of possession of the Demised Premises shall reinstate, continue or extend the Term or Tenant's right of possession. The provisions of this subsection 30(c) shall survive the expiration of the Term.

31. Reserved.

32. Late Payments. In the event any installment of rent, inclusive of Base Rent, or Additional Rent or other sums due hereunder, if any, is not paid within ten (10) days after the due date therefor more than one (1) time in any period of twelve (12) consecutive months, Tenant shall pay an administrative fee (the "Administrative Fee") equal to five percent (5%) of such past due amount, plus interest on the amount past due at the lesser of (i) the maximum interest rate allowed by law or (ii) a rate of fifteen percent (15%) per annum (the "Interest Rate"), in order to defray the additional expenses incurred by Landlord as a result of such late payment. The Administrative Fee is in addition to, and not in lieu of, any of the Landlord's remedies hereunder.

33. Rules and Regulations. Tenant agrees to abide by the rules and regulations set forth on Exhibit D attached hereto, as well as other rules and regulations reasonably promulgated by Landlord from time to time, so long as such other rules and regulations do not materially and adversely affect the rights of Tenant hereunder and are uniformly enforced against all tenants in the Building.
34. Quiet Enjoyment. So long as Tenant has not committed an Event of Default hereunder, Landlord agrees that Tenant shall have the right to quietly use and enjoy the Demised Premises for the Term.
35. Miscellaneous.
- (a) The parties hereto hereby covenant and agree that Landlord shall receive the Base Rent, Additional Rent and all other sums payable by Tenant hereinabove provided, without any abatement (except as set forth in Section 20 and Section 21), reduction, set-off, counterclaim, defense or deduction whatsoever.
 - (b) If any clause or provision of this Lease is determined to be illegal, invalid or unenforceable under present or future laws effective during the Term, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby, and that in lieu of such illegal, invalid or unenforceable clause or provision there shall be substituted a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.
 - (c) All rights, powers, and privileges conferred hereunder upon the parties hereto shall be cumulative, but not restrictive to those given by law (except to the extent expressly set forth to the contrary in this Lease).
 - (d) TIME IS OF THE ESSENCE OF THIS LEASE.
 - (e) No failure of Landlord or Tenant to exercise any power given Landlord or Tenant hereunder or to insist upon strict compliance by Landlord or Tenant with its obligations hereunder, and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Landlord's or Tenant's rights to demand exact compliance with the terms hereof.
 - (f) Except with respect to that certain Development Indemnification Agreement between Landlord and ScanSource, Inc., on the date hereof, and that Sales Agreement between Landlord and 4100 Quest, LLC, dated on the date hereof, the terms and conditions of which are incorporated herein by reference and which shall not be deemed terminated or amended by virtue of the execution of the Lease, this Lease contains the entire agreement of the parties hereto as to the subject matter of this Lease and no prior representations, inducements, letters of intent, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force and effect. Any future amendment to this Lease must be in writing and signed by the parties hereto. The masculine (or neuter) pronoun, singular number shall include the masculine, feminine and neuter gender and the singular and plural number.
 - (g) This contract shall create the relationship of landlord and tenant between Landlord and Tenant; no estate shall pass out of Landlord; Tenant has a usufruct, not subject to levy and sale, and not assignable by Tenant except as expressly set forth herein.
 - (h) At the request of either party, all parties shall execute a memorandum of this Lease in recordable form to be recorded in the applicable real estate records; provided, that any such recordation shall be at the requesting party's sole cost and expense.
 - (i) The captions of this Lease are for convenience only and are not a part of this Lease, and do not in any way define, limit, describe or amplify the terms or provisions of this Lease or the scope or intent thereof.
 - (j) This Lease may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement.

- (k) This Lease shall be interpreted under the laws of the State where the Demised Premises are located.
- (l) The parties acknowledge that this Lease is the result of negotiations between the parties, and in construing any ambiguity hereunder no presumption shall be made in favor of either party. No inference shall be made from any item which has been stricken from this Lease other than the deletion of such item.
- (m) Notwithstanding anything to the contrary in this Lease or any of its Exhibits or any documents related thereto, the obligation of either Landlord or Tenant to pay the other's attorneys' fees in connection with a dispute related to this Lease are limited to reasonable attorneys fees' actually incurred without regard to any minimum or percentage attorney fee that would be otherwise established under applicable law.
- (n) Notwithstanding anything to the contrary in this Lease or any of its Exhibits or any documents related thereto, wherever any party hereto has approval or consent rights that are recited herein as being required to be reasonably exercised, such approval or consent may not be unreasonably withheld, conditioned or delayed.
36. Special Stipulations. The Special Stipulations, if any, attached hereto as Exhibit C, are incorporated herein and made a part hereof, and to the extent of any conflict between the foregoing provisions and the Special Stipulations, the Special Stipulations shall govern and control.
37. Lease Date. For purposes of this Lease, the term "Lease Date" shall mean the later date upon which this Lease is signed by Landlord and Tenant.
38. Authority. If Tenant is not a natural person, Tenant shall cause its corporate secretary or general partner, as applicable, to execute the certificate attached hereto as Exhibit E. Tenant is authorized by all required corporate or partnership action to enter into this Lease and the individual(s) signing this Lease on behalf of Tenant are each authorized to bind Tenant to its terms.
39. No Offer Until Executed. The submission of this Lease by Landlord to Tenant for examination or consideration does not constitute an offer by Landlord to lease the Demised Premises and this Lease shall become effective, if at all, only upon the execution and delivery thereof by Landlord and Tenant. Execution and delivery of this Lease by Tenant to Landlord constitutes an offer to lease the Demised Premises on the terms contained herein. The offer by Tenant will be irrevocable until 6:00 p.m. Eastern time for fifteen (15) days after the date of execution of this Lease by Tenant and delivery to Landlord.
40. Non-Public Information. Notwithstanding anything to the contrary in this Lease (including, without limitation, all exhibits and schedules hereto and any guaranties hereof), if Tenant or any guarantor is then a publicly traded company or a subsidiary of a publicly traded company, in no event shall Tenant or such guarantor be required to deliver any information (including, without limitation, any financial statements for such entity) to Landlord, any mortgagee, any prospective purchaser, or any other person or entity, except such information as is made publicly available (and any refusal to provide such non-public information shall not be a violation of any provision of this Lease or any guaranty hereof). If, notwithstanding the foregoing, Tenant or any guarantor elects to deliver non-public information to Landlord, any mortgagee, any prospective purchaser, or any other person or entity, such information shall be identified as non-public at the time of its delivery and the recipient of such non- public information shall be deemed to have agreed that it shall be held in confidence, shall be used only for the purposes herein set forth and shall not be further distributed or disseminated without the express prior written consent of Tenant or the applicable guarantor.
41. Guarantor. Landlord and Tenant acknowledge that ScanSource, Inc., a South Carolina corporation ("Guarantor") has agreed to guaranty the obligations of Tenant under this Lease by executing a guaranty in the form attached hereto as Exhibit G (the "Guaranty"). The parties further acknowledge that Landlord would not agree to enter into this Lease but for the delivery of the Guaranty. Tenant shall cause Guarantor to execute the Guaranty and shall deliver the Guaranty to Landlord together with the executed Lease, and all obligations of Landlord hereunder are contingent upon receipt of the

executed Guaranty. Tenant agrees to provide to Landlord during the Lease Term, upon the reasonable request of Landlord, financial information on Guarantor, subject to the provisions of Section 40.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands under seals, the day and year first above written.

Date: April 26, 2007

LANDLORD:

INDUSTRIAL DEVELOPMENTS INTERNATIONAL, INC., a Delaware corporation

By: /s/ David R. Birdwell
Name: David R. Birdwell
Title: Secretary

Attest: /s/ G. Bryan Blasingame
Name: G. Bryan Blasingame
Title: Assistant Secretary

[CORPORATE SEAL]

Date: April 27, 2007

TENANT:

8650 Commerce Drive, LLC, a Mississippi limited liability company

By: /s/ Andrea D. Meade
Name: Andrea D. Meade
Title: EVP, Corporate Operations

Attest: /s/ John Ellsworth
Name: John Ellsworth
Title: Corporate Secretary

[signature page to Lease Agreement]

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE “CONFIDENTIAL INFORMATION”) HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [***].**

THIRD AMENDMENT TO INDUSTRIAL LEASE AGREEMENT

This Third Amendment to Industrial Lease Agreement ("*Third Amendment*") is entered into effective as of July 1, 2016 (the "*Effective Date*"), by and between US INDUSTRIAL REIT III - CONTAINER, a Texas real estate investment trust ("*Landlord*"), whose address is 9830 Colonnade Boulevard, Suite 600, San Antonio, Texas 78230, as successor in interest to Industrial Developments International, Inc., a Delaware corporation ("*IDP*"), and 8650 COMMERCE DRIVE, LLC, a Mississippi limited liability company ("*Tenant*"), whose address is 6 Logue Court, Greenville, SC 29615.

WHEREAS, under that certain Amended and Restated Industrial Lease Agreement dated effective as of December 27, 2007 by and between IDI, as predecessor in interest to Landlord, and Tenant, as amended by that certain First Amendment to Industrial Lease Agreement dated effective as of February 1, 2012 by and between Landlord and Tenant, and as amended by that certain Second Amendment to Industrial Lease Agreement dated effective as of August 1, 2013 by and between Landlord and Tenant (as amended, the "*Lease*"), Tenant leases approximately 592,956 square feet of space (the "*Existing Premises*") known as 8650 Commerce Drive, Suite 100 of the building known as Building F in Stateline Business Park, Southaven, DeSoto County, Mississippi, as more particularly described in the Lease;

WHEREAS, Landlord and Tenant desire to amend the Lease to permit Tenant to lease that certain approximately 147,888 square feet of space depicted on Exhibit "A" attached hereto (the "*Expansion Premises*");

WHEREAS, Landlord and Tenant desire to extend the term of the Lease as hereinbelow provided;

WHEREAS, Landlord and Tenant desire to amend the Lease upon the terms and conditions more particularly set forth below;

NOW THEREFORE, in consideration of the agreements set forth herein, and the rentals to be paid and the covenants and agreements to be kept and performed by both parties hereto. Landlord and Tenant hereby agree to amend the Lease as follows:

1. **Extension of Term**. The Term of the Lease is hereby extended for a period of one hundred twenty (120) months commencing on October 1, 2017 and expiring September 30, 2027 (the "*Extended Term*").

2. **Expansion of Demised Premises.** Effective as of the Expansion Premises Commencement Date, the Expansion Premises shall constitute a portion of the Demised Premises. From and after the Expansion Premises Commencement Date, the Demised Premises shall consist of and all references to the Demised Premises in the Lease shall be deemed to refer to the Existing Premises and the Expansion Premises as depicted on Exhibit “A” attached hereto. As used herein, “**Expansion Premises Commencement Date**” shall mean the date that Landlord delivers possession of the Expansion Premises to Tenant, free and clear of personal property and occupants; provided that Landlord shall not be required to deliver free and clear of Existing Tenant’s occupancy if Tenant gives Landlord notice not less than ten (10) days prior to the Expansion Premises Date that Tenant and Existing Tenant have entered into a sublease agreement as more particularly described below in Section 8 of this Third Amendment. Landlord and Tenant acknowledge and agree that the Expansion Premises Commencement Date is currently anticipated to occur on October 1, 2017, however since the Expansion Premises is currently occupied by Crate Services, Inc., a Georgia corporation (“**Existing Tenant**”), delivery of the Expansion Premises may be delayed by Existing Tenant’s unauthorized holdover in the Expansion Premises. Landlord covenants and agrees to use commercially reasonable efforts to deliver the Expansion Premises to Tenant as soon as is reasonably practicable.

3. **Base Rent.** Commencing as of July 1, 2016, the Annual Base Rent and the Monthly Base Rent applicable under the Lease shall be as follows:

Dates	Annual Base Rent	Monthly Base Rent
7/1/2016 - [*****]	\$ [*****]	\$ [*****]
[*****] - the later of 9/30/2017 and the day prior to the Expansion Premises Commencement Date	\$ [*****]	\$ [*****]
From the later of the Expansion Premises Commencement Date and 10/1/2017 - 9/30/2018	\$ [*****]	\$ [*****]
10/1/2018 - 9/30/2019	\$ [*****]	\$ [*****]
10/1/2019 - 9/30/2020	\$ [*****]	\$ [*****]
10/1/2020 - 9/30/2021	\$ [*****]	\$ [*****]
10/1/2021 - 9/30/2022	\$ [*****]	\$ [*****]
10/1/2022 - 9/30/2023	\$ [*****]	\$ [*****]
10/1/2023 - 9/30/2024	\$ [*****]	\$ [*****]
10/1/2024 - 9/30/2025	\$ [*****]	\$ [*****]
10/1/2025 - 9/30/2026	\$ [*****]	\$ [*****]
10/1/2026 - 9/30/2027	\$ [*****]	\$ [*****]

*Rental Abatement. Provided that no event of default occurs under the Lease, the Base Rent shall be abated for the period between July 1, 2016 and [*****] (the “**Base Rent Abatement Period**”). All of the remaining terms and conditions of the Lease shall remain in full force and effect during the Base Rent Abatement Period, including, without limitation, Tenant’s obligation to pay all Additional Rent pursuant to the terms of the Lease. If an event of default occurs under the Lease during Tenant’s occupancy, and Landlord subsequently terminates the Lease as a result thereof, the Base Rent abatement provided for herein shall immediately terminate, and the unamortized portion of the Base Rent that has then previously

been abated shall immediately become due and payable, with the Base Rent abatement to be amortized over the term on a straight-line basis.

4. **Tenant's Operating Expense Percentage**. From and after the Expansion Premises Commencement Date, Tenant's Operating Expense Percentage shall be one hundred percent (100%).

5. **Right of First Refusal; Right of First Offer**. Sections 8, 9 and 10 of **Exhibit C** of the Lease are hereby deleted in their entirety.

6. **No Options**. Landlord and Tenant acknowledge and agree that Landlord has not granted Tenant (i) any rights of first refusal; (ii) any expansion rights, or (ii) any rights of first offer.

7. **Option to Extend**. Tenant's option to extend the Term of the Lease set forth in Section 7 of **Exhibit C** of the Lease shall remain in full force and effect, and each Option Period described therein shall apply to the Term of the Lease, as extended hereby.

8. **Assignment and Subletting**. Notwithstanding anything to the contrary in Section 29 of the Lease, Landlord agrees not to unreasonably withhold its consent to a sublease by Tenant of the Expansion Premises to the Existing Tenant, and Landlord agrees that no amount of rent paid by Existing Tenant under any such sublease which is in excess of the Base Rent payable by Tenant shall be required to be paid over to Landlord. In the event Tenant subleases any space to Existing Tenant, Tenant shall provide a copy of the sublease to Tenant following the execution of such a sublease and Landlord, Tenant and Existing Tenant shall enter into a consent to sublease on Landlord's standard form.

9. **Landlord's Work; Condition of the Premises.** Promptly following the Expansion Premises Commencement Date, Landlord, at Landlord's sole cost and expense, shall remove the demising wall between the Existing Premises and the Expansion Premises ("**Landlord's Work**"); provided that Landlord shall not be required to perform Landlord's Work (with respect to the applicable portion of the demising wall adjacent to the subleased portion of the Demised Premises) if Tenant subleases the Expansion Premises to the Existing Tenant as of the Expansion Premises Commencement Date. With the exception of Landlord's Work, Landlord and Tenant agree that Landlord has no obligation to construct any improvements to the Existing Premises or the Expansion Premises. With the exception of Landlord's Work and the Tenant Work described in Exhibit B-1 (attached hereto and subject to the express terms of the Lease and this Amendment), TENANT CURRENTLY OCCUPIES AND ACCEPTS THE EXISTING PREMISES IN ITS "**AS IS**", "**WHERE IS**" CONDITION AND UPON THE EXPANSION PREMISES COMMENCEMENT DATE, SUBJECT TO COMPLETION OF THE LANDLORD WORK AND THE TENANT WORK, SHALL ACCEPT THE EXPANSION PREMISES IN ITS "**AS IS**", "**WHERE IS**" CONDITION. In addition to the Landlord's Work specified herein, Tenant shall have the right, to construct improvements within the Existing Premises and following the Expansion Premises Commencement Date, the Expansion Premises, including (but not limited to) the improvements described on Exhibit B-2 attached hereto (collectively "**Tenant's Work**") in accordance with Exhibit B-1 attached hereto.
10. **Counterclaims.** The Lease, as modified hereby, is hereby reaffirmed and ratified and the provisions thereof, as so modified, shall remain in full force and effect. Without limiting the generality of the foregoing, Tenant hereby certifies that, as of Tenant's execution and delivery hereof, and to the best of Tenant's knowledge, Landlord is not in default under the Lease and Tenant has no claim, defense or offset with respect to the Lease.
11. **Continued Effect.** Except as expressly modified by the terms of this Amendment, the Lease shall remain in full force and effect, and will be fully binding on, and is hereby ratified by, Landlord and Tenant. In the event of any conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall govern. All terms not defined in this Third Amendment shall be as defined pursuant to the terms of the Lease.
12. **Multiple Counterparts.** This Third Amendment may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement.

13. **Brokerage.** Except for Cushman & Wakefield (“**Broker**”), Tenant and Landlord each agree to indemnify and hold the other harmless of and from any and all loss, costs, damages, or expenses (including, without limitation, all attorneys’ **fees** and disbursements) by reason of any claim of or liability to any broker or person claiming through the indemnifying party and arising out of or in connection with the negotiation, execution and delivery of this Amendment. Broker will be compensated by Landlord pursuant to the terms of a separate agreement between Landlord and Broker.
14. **Authorization.** Each party hereto warrants that the person signing below on such party’s behalf is authorized to do so and to bind such party to the terms of this Amendment.
15. **Entire Agreement; Amendments.** The Lease, as amended by this Amendment, constitutes the entire agreement of the parties relating to the subject matter of the Lease, and it supersedes all other oral or written agreements relating thereto. No term of the Lease, as amended by this Amendment, may be modified, amended, waived, or discharged, in whole or in part, except by written agreement between the parties.
16. **Contingency.** The effectiveness of this Amendment is subject to Tenant obtaining the approval of its Board of Directors to its terms. For a period of seven (7) business days following the Effective Date, Tenant shall have the right to terminate and rescind this Amendment by providing Landlord with written notice of Tenant’s inability to obtain board approval of this Amendment and therein expressly electing to terminate and rescind this Amendment. If Tenant timely delivers such notice, this Amendment shall be deemed rescinded, Tenant’s election to exercise its right of first refusal with respect to the Expansion Premises shall be deemed withdrawn and the Lease shall otherwise be reinstated without giving effect to this Amendment. If Tenant obtains board approval of this Amendment or fails to timely deliver written notice to Landlord of its inability to obtain board approval of this Amendment, the foregoing termination option shall be null and void and of no further force or effect. Tenant covenants and agrees to give Landlord prompt written notice of Tenant’s board’s approval of the terms of this Amendment.

[Signatures on following page]

EXECUTED as of the dates indicated below to be effective as of the Effective Date.

LANDLORD

US INDUSTRIAL REIT III - CONTAINER,
a Texas real estate investment trust

By: /s/ Stanley R. Alterman
Name: Stanley R. Alterman
Title: Executive Managing Director
Date Executed: 7/18/16

TENANT

8650 COMMERCE DRIVE, LLC,
a Mississippi limited liability company

By: /s/ Michael Baur
Name: Michael Baur
Title: CEO
Date Executed: July 6, 2016

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE “CONFIDENTIAL INFORMATION”) HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [***].**

DISTRIBUTION AGREEMENT

BETWEEN

SYMBOL TECHNOLOGIES, INC.

AND

SCANSOURCE, INC.

DISTRIBUTION AGREEMENT

This Distribution Agreement (the “Agreement”) is between

1. **SYMBOL TECHNOLOGIES, INC.**, a corporation incorporated in Delaware with a place of business at One Motorola Plaza, Holtsville, New York 11742 (“**Motorola Solutions**”); and
2. **SCANSOURCE, INC.**, a corporation incorporated in South Carolina, with a place of business at 6 Logue Court, Greenville, South Carolina 29615 (“**Distributor**”).

Motorola Solutions and Distributor will be referred to in the singular as a “Party” and collectively as the “Parties.”

1. AGREEMENT STRUCTURE AND APPOINTMENT

Schedule 1	Market and Distributor Business Model
Schedule 2	Terms and Conditions of Sale
Annex 1	Terms and Conditions for the Use of Electronic Data Interchange
Annex 2	Distributor’s Upfront Discount Off List Price
Schedule 3	Technology Segments(s) and Special Provisions Relating Thereto (the “Technology Segments Schedule”)
Schedule 4A	Participation Agreement for Business in Brazil
Schedule 4B	Distributor Participation Agreement Schedule 4C Motorola Solutions Participation Agreement
Schedule 5	Sales where a US Federal Government Entity is the End User
Schedule 6	Confidentiality
Schedule 7	Motorola Solutions End User Software License Agreement
Schedule 8	Ethical Conduct and Compliance with Law
Schedule 9	OEM Distributor Addendum
Schedule 10	Flow-Down Provisions

2. DEFINITION OF TERMS

For the purpose of this Agreement the following terms have the meanings set forth below:

2.1 “**Affiliate**” means that with respect to any specified entity, any other entity directly or indirectly controlling or controlled by or under direct or indirect common control with such specified entity. For the purposes of this definition, “control” (including, with correlative meanings, “controlling,” “controlled by,” and “under common control with”) means the power to direct or cause the direction of the management and policies of such entity, directly or indirectly, whether through the ownership of a majority of voting securities, by contract or otherwise; and it being understood and agreed that, with respect to a corporation, limited liability company or partnership, control shall mean direct or indirect ownership of more than 50% of the voting stock, limited liability company interest, general partnership interest or voting interest in any such corporation, limited liability company or partnership.

2.2 “**Communities**” means channel groups with similar characteristics as qualified by business model, customer focus, product/service expertise and scale. Communities are grouped according to their relationship with Motorola Solutions and will be serviced by Distributor as prescribed by the Program Elements.

2.3 “**Custom or Configured Products**” means Product modified to meet a specific requirement requested by Distributor and that is not ordinarily sold by Motorola Solutions in the modified form.

2.4 “**Discounts**” [*****]

2.5 “**Distribution Download**” means the electronic data feed regularly provided to Distributor by Motorola Solutions, which designates Program Members’ unique identifiers and the Technology Segment, Markets and Products to which they have access (subject to the Program Elements), List Price for Products and recommended discounts for Program Members.

2.6 “**Effective Date**” means the date this Agreement is signed by the last Party thereof.

2.7 “**End User**” or “**Customers**” will be used interchangeably and shall refer to the ultimate purchaser or user who obtains the Products for direct use and not for resale.

2.8 “**List Price**” means the Product prices before any Discounts are applied thereto, as published by Motorola Solutions from time to time and which may be included in the Distributor Download.

2.9 “**Market**” or “**Market of Authorization**” means where Products are ultimately being used, including the geographical area (“Territory”), horizontal or vertical field of use, type of Customers or named Customers, all as described in Schedule 1 and in the Program Elements.

2.10 “**Model**” or “**Distributor Business Model**” means the role Distributor plays based on the customers and functions it serves as provided in the Program Elements and reflected in Schedule 1.

2.11 “**Motorola Solutions Warranty**” means the warranty on the Products extended by Motorola Solutions to End Users as specified in Section 13 or as otherwise provided by Motorola Solutions for the applicable Product.

2.12 “**Not New**” A Product is considered Not New if:

- A. It is acquired from existing customer installations, liquidations, bankruptcies, lease terminations or expirations and any other similar resources, as well as equipment that at any point in its lifecycle has been used by an End User or, used as demonstration equipment.
- B. At any time it has been loaded with software, sold to, leased, rented, shipped to any Party and then returned whether it was used or not.
- C. Non-refurbished trade-in Products are excluded from this definition.
- 2.13 “**Open Products**” means a discrete list of Motorola Solutions Products requiring minimal expertise or support, which may (per the Program Elements), be sold to any reseller regardless of Program authorization.
- 2.14 “**Open Resellers**” means dealers, merchants and other legal entities holding a resale certificate, who are NOT members in good standing in the Program, and to whom Distributor may only sell Open Products for further resale to End Users.
- 2.15 Intentionally omitted.
- 2.16 “**Price Book**” [*****]
- 2.17 “**Product(s)**,” or “**Motorola Solutions Product(s)**” means new hardware, Software (as defined in Section 12.4.1) and services available from Motorola Solutions for purchase and resale by Distributor, as set forth in Schedule 3 and the applicable product Price Book. Product(s) include Open Product(s).
- 2.18 “**Program**” means the Motorola Solutions PartnerEmpower™ Program which Distributor is a Community member of, authorizing Distributor to promote and resell those Motorola Solutions Products check-marked on Schedule 3 under the Program Elements.
- 2.19 “**Program Elements**” means the Program rules, guidelines, benefits, terms and criteria including the Distributor Program Guide and the Distribution Operations Guide.

Subject to the terms of Section 8.1, the Program Elements may be amended by Motorola Solutions from time to time and shall be made available to Distributor via electronic posting in the Program portals, accessible to Distributor through the Web Site(s), or will otherwise be communicated to Distributor from time to time.

- 2.20 “**Program Members**” means participants in the Program Communities and other entities as may be specified by Motorola Solutions from time to time, who are members in good standing in the Program and to whom Distributor is authorized to sell Products (or any subset thereof) for further resale to End Users, as may also be captured in the Distributor Download.
- 2.21 “**Purchase Order**” or “**Order**” means a written (including electronic) order from Distributor to purchase Products which contains the information required under Section 8.2 of the Agreement.
- 2.22 “**Resellers**” means the entities to whom Distributor is authorized to sell Products (or any subset thereof) including Program Members and Open Resellers.

2.23 Intentionally omitted.

2.24 “**Technology Segment(s)**” means the like group of products comprising the Products Distributor is authorized to purchase for resale to Program Members authorized in each applicable Technology Segment(s). The Technology Segments in existence and in which Distributor participates as of the Effective Date are listed in Schedule 3.

2.25 “**Web Site(s)**” means the Motorola Solutions on line (“MOL”) or other similar business-to-business e-commerce web sites and other web portals including without limitations the domain names Motorola Solutions.com, Motorola Solutions Online.com, Motorola Solutionsbrand.com and/or any equivalent thereof.

3. **APPOINTMENT AND RELATIONSHIP**

3.1 Motorola Solutions grants Distributor a non-exclusive right to purchase Products at specified Discounts, [*****], for resale to Resellers within the Market. Distributor is also authorized to sell OEM Products to OEM Customers as defined in Schedule 9 of this Agreement and in accordance with the terms specified therein.

3.2 Distributor shall not resell Product to End-Users. Distributor shall not resell to or through an independent agent or broker. Distributor shall not resell Product to or through catalogue sales outlets, mail order outlets or telemarket resellers.

3.3 Distributor shall submit for Motorola Solutions’ approval Distributor application, credit application, tax exempt certificate, education profile, product marketing plan, and other information reasonably required by Motorola Solutions to qualify Distributor.

3.4 Subsequent to the initial submittal, and prior to a renewal term, Distributor shall provide Motorola Solutions with semi-annual updates to its product marketing plan. Each product marketing plan shall include information in support of Distributor’s responsibilities set forth in this Agreement.

3.5 Distributor shall have sufficient and appropriate staffing and capabilities to promote and sell Products to its Resellers through Distributor’s own qualified sales force. Distributor shall also maintain a dedicated Motorola Solutions marketing person. Distributor shall be responsible for all expenses it incurs for Product purchase and resale.

3.6 Distributor shall have sufficient and appropriate staffing and capabilities to provide sales support, customer support and professional services support (as applicable) for its Resellers as described in the Program Elements. Customer support services such as help desk, product configuration, diagnostics installation support and technical support are required as defined in the Program Elements. The provision by Distributor of the support functions listed above will not void Motorola Solutions warranty for the applicable Products.

3.7 Distributor shall conduct business in its own name as an independent contractor, and shall not represent itself as an employee or agent of Motorola Solutions.

3.8 Distributor shall attend and successfully complete certification training for all Product platforms and Products to be resold. Distributor shall be responsible for all expenses it incurs for Product training.

3.9 [*****]

3.10 Distributor shall furnish Motorola Solutions with weekly (or such other intervals and dates specified by Motorola Solutions) (i) inventory reports, and (ii) sales-out reports. Distributor shall also furnish the required Reseller information as defined in the most current Program Elements. The reports specified in this Section shall be in a format prescribed by Motorola Solutions. Motorola Solutions reserves the right to modify Distributor's reporting requirements from time to time with prior written notice.

3.11 Distributor may only sell Products (other than Open Products) to Program Members who have met the authorization requirements for resale of such Products (or any portion thereof) and who have received prior authorization from Motorola Solutions. Additionally, Distributor undertakes not to purchase Products from third parties outside the Territory.

3.12 Distributor agrees not to intentionally engage in activities that may diminish Motorola Solutions' rights or industry standing.

3.13 Distributor shall advise Motorola Solutions in writing at least thirty (30) days prior to the effective date thereof, of a Change of Control (as herein defined) or a change in the main place of business of Distributor and/or its affiliates to an address outside the Territory. In such event, Motorola Solutions may upon thirty (30) days written notice to Distributor, terminate this Agreement for convenience per the terms of Section 18.1 (a). For purposes hereof, a "Change of Control" is deemed to occur: (i) when any Person (as defined below) is or becomes the beneficial owner, directly or indirectly, of securities (or equivalent ownership or control interests, such as partnership units) of Distributor representing more than fifty percent (50%) of the combined voting power of Distributor's then outstanding securities; or (ii) upon the first purchase of fifty percent (50%) or more of Distributor's common stock pursuant to a tender or exchange offer; or (iii) upon the approval by Distributor's stockholders of (a) a merger or consolidation of Distributor with or into another company or other entity; or (b) a sale or disposition of all or substantially all of Distributor's assets to another person; or (c) a plan of liquidation or dissolution of Distributor. For purposes of this Agreement, the term "Person" means a natural person, company, government, or political subdivision, agency, or instrumentality of a government, or any partnership, limited partnership, syndicate or other group acting for the purpose of acquiring, holding, or disposing of securities or other ownership interests of Distributor.

3.14 Distributor shall order and maintain at all times sufficient inventory of Products of any Technology Segment Distributor is authorized to sell as necessary to support anticipated market demand, Distributor's sales efforts and forecasts provided to Motorola Solutions.

3.15 Distributor agrees to [*****]

3.16 Distributor shall furnish Motorola Solutions with purchase forecasts at intervals and in a format prescribed by Motorola Solutions.

3.17 Upon reasonable prior written notice, Distributor agrees to allow Motorola Solutions to conduct a physical inventory of Products in any of Distributor's stocking locations. Motorola Solutions shall also be permitted access to Distributor's records, which are reasonably required, and are solely pertaining to purchase and distribution of Products.

3.18 Distributor shall participate in and adhere to the Program rules, and shall comply with the then-current Program Elements. Distributor shall ensure compliance with the Program Elements with respect to Distributor's interaction with Open Resellers under this Agreement. Distributor is fully responsible for providing its Resellers, in a timely manner, with Product information provided by Motorola Solutions.

3.19 Distributor may issue a catalogue including pictures, prices and descriptions of Products so long as such catalogue is primarily for distribution to Resellers and Distributor supports all such Products. In addition, Distributor is responsible for ensuring the accuracy of all information and for proper usage of Motorola Solutions trademarks, trade names or copyrights as specified in Section 11.

3.20 Because Motorola Solutions seeks to encourage active direct selling and outreach efforts by its distributors to potential customers, Distributor may only use advertising and selling methods in reselling the Products in accordance with the Program Elements including without limitations, the Motorola Solutions Internet Price Advertising (IPA) policy.

4. TERM

4.1 The term of the Agreement is twelve (12) months from the date of its execution by the last party hereof. Renewals shall be for twelve (12) month terms and shall be automatic, except that Motorola Solutions may request Distributor to update information required in Section 3 ("Appointment and Relationship") to qualify Distributor for a renewal term.

5. STANDARD PRODUCT SUPPORT.

Motorola Solutions shall provide Distributor with Motorola Solutions' standard product promotional materials. Customer service product support is available to Distributor by telephone during Motorola Solutions standard business hours.

6. FLOW-DOWN REQUIREMENTS

Some provisions in this Agreement are intended for End Users who buy one or more of the Products from Resellers. For each such provision (identified in Sections 12 - Intellectual Property Rights and Software License, except for [*****], 13 —, Warranties, Section 4 of Annex 1 to Schedule 3 - (Terms and Conditions for Sale of Sell Through Services) and Sections 3, 7, 8 and 1 of Schedule 5 - Sales where the US Federal Government is the End User (the "Flow Downs") [*****].

7. PARTICIPATION AGREEMENTS

7.1 The terms and conditions of Schedule 4A will govern the business relationship between CDC Brasil Distribuidora de Tecnologias Especiais Ltda. (Distributor's Affiliate), and Motorola Solutions Ltda., (Motorola Solutions' Affiliate) in Brazil.

7.2 If a Distributor Affiliate wishes to purchase and/or to resell Products or otherwise participate in the Program, such Affiliate will execute the Participation Agreement attached hereto as Schedule 4B.

7.3 If a Motorola Solutions Affiliate (other than the Motorola Solutions entity signing this Agreement) is the legal entity selling Products to Distributor in a particular Technology Segment, (as designated in Schedules 3), such Motorola Solutions Affiliate will execute the Motorola Participation Agreement attached hereto as Schedule 4C.

8. TERMS AND CONDITIONS OF SALE

8.1 A Purchase Order for Product is required for Product delivery and such Order is subject to Motorola Solutions' acceptance. Orders are bound by and subject to the provisions of this Agreement, and no terms and conditions other than those set forth herein shall apply to an Order. Motorola Solutions may, from time to time during the term of this Agreement, modify the Program Elements (including the Distribution Operations Guide) to reflect Motorola Solutions' then current policies and practices, and Distributor shall be notified of any such change to this Agreement in writing prior to the effective date of such change, provided however that any change to the terms of [*****]

8.2 An Order must specify, at a minimum, calendar shipment date, complete delivery and billing location, Product model number and description, Motorola Solutions part number, quantity, unit List Price, authorized discount and resale/tax identification number. Orders received without this information shall be returned to Distributor for completion or fulfilled at Motorola Solutions' reasonable discretion.

8.3 Distributor shall submit Purchase Orders to the appropriate order entry location, which will be physical or virtual (utilizing Electronic Data Interchange — "EDI" or another approved electronic ordering process under the terms and conditions of Annex 1 to Schedule 2) as directed by Motorola Solutions. Motorola Solutions shall acknowledge the receipt of Orders within five (5) business days.

8.4 Orders submitted by Distributor must request a shipping date in accordance with Motorola Solutions' bookable order criteria for the applicable Product category, which in no event could be later than six (6) months from the date of the Order.

8.5 Additional terms applicable to Products sale by Motorola Solutions to Distributor are specified in Schedule 2 (Terms and Conditions of Sale).

8.6 In order to be eligible to sell Products to US Federal Government Entities, Program Members are required to meet the US Federal Government criteria set forth in the Program Elements. All sales of Product and Services where a US Federal Government Entity is the End User, will be subject to the additional terms and conditions contained in Schedule 5 (Sales when a US Federal Government Entity is the End User). A "US Federal Governmental Entity" is any department, agency, or instrumentality of the U.S. Federal Government.

9. DISTRIBUTOR BUSINESS MODEL AND PROGRAM RULES

Distributor's Business Model for the purpose of the Program and this Agreement is indicated by a check mark in Schedule 1 (Market and Distributor Business Model).

10. CONFIDENTIALITY

Confidential information exchanged hereunder shall be governed by the terms of Schedule 6 (Confidentiality) of this Agreement.

11. MOTOROLA SOLUTIONS TRADEMARKS AND SERVICE MARKS

11.1 Distributor acknowledges that the mark MOTOROLA, MOTOROLA SOLUTIONS and the Stylized M Logo (the “Motorola Solutions Trademarks”) and the appropriate Motorola Solutions channel partner mark(s) for which Distributor qualifies (referred to in this Agreement as “Distributor Channel Identifier”) (collectively referred to as “Trademarks”) are trademarks or registered trademarks of Motorola Trademark Holdings, LLC, and are used under license.

11.2 Distributor will not make or permit the removal or modification of any Trademarks or tags, proprietary notices, labels, or other identifying marks placed by Motorola Solutions or on Motorola Solutions’ behalf on the Products or associated packaging, manuals, or other associated materials.

11.3 In the advertising and promotion of the Products, Distributor shall have the right to use the Distributor Channel Identifier as prescribed and instructed in writing by Motorola Solutions from time to time during the term of the Agreement. Distributor acknowledges that the right for such use shall be dependant in part on the undertaking by Distributor of certification and training on the Products Distributor sells. Distributor further agrees to include a statement that identifies that the Products are manufactured and/or sold by Motorola Solutions in all advertising and promotional materials.

11.4 Motorola Solutions hereby authorizes Distributor to use and display the Distributor Channel Identifier, free of charge in promotional and advertising materials Distributor uses, solely to promote the sale of Products under this Agreement. With respect to the Motorola Solutions Trademarks, Distributor is not permitted any use thereof unless Motorola Solutions specifically notifies Distributor in a writing signed by Motorola Solutions’ executive for Global Channel Marketing, that Distributor is permitted such use. Distributor shall not assign or transfer the limited authorization provided under this Section 11.4. Distributor shall submit all proposed uses of the Motorola Solutions Trademarks to Motorola Solutions for approval. Motorola Solutions may approve or disapprove any such proposed use in its sole discretion. Any proposed use that has not been approved within ten (10) business days by Motorola Solutions shall be deemed not approved. Distributor shall depict the Trademarks only as depicted in artwork provided by Motorola Solutions and shall not remove, alter or obliterate any trademark appearing on the Products. Distributor shall comply with all guidelines regarding the use of the Trademarks published by Motorola Solutions on www.motorolasolutionsbrand.com, or any replacement thereof. Motorola Solutions may revise such guidelines from time to time in its sole discretion upon reasonable notice to Distributor including by posting on the Web Site(s). From time to time, Motorola Solutions may reasonably request, and Distributor agrees to provide, copies of materials bearing the Trademarks for purposes of verifying their quality and compliance with Motorola Solutions’ guidelines and the terms of this Agreement.

11.5 Distributor’s use of the Trademarks and the goodwill associated therewith shall inure to the benefit of Motorola Solutions or its licensors. Distributor acknowledges that Motorola Solutions or its licensors are the exclusive owners of the Trademarks and Distributor’s use of the Trademarks does not convey to Distributor any right, title or interest in or to the Trademarks. Distributor has no claim or right in the Trademarks, or any other trademarks, service marks, or

trade names owned, used or claimed now or in the future by Motorola Solutions. Without limiting the foregoing, Distributor hereby assigns to Motorola Solutions or its licensors all right, title and interest in the Trademarks, together with the goodwill attaching thereto, that may inure to Distributor in connection with this Agreement or from Distributor's use of the Trademarks hereunder. At no time shall Distributor challenge or assist others in challenging the Trademarks or the registration thereof (except where such a limitation is prohibited by local law) or attempt to register any trademarks, service marks or trade names confusingly similar to those of Motorola Solutions or its licensors. Distributor shall discontinue any advertising, practice or use deemed by Motorola Solutions to have such misleading, deceptive or detrimental effect. Distributor agrees that Distributor shall not use the Trademarks, or any limitation or variant thereof, as part of any product or service name, any trade name under which Distributor conducts business, or as part of any domain name, nor will Distributor grant or purport to grant such use to any of Distributor's subsidiary or Affiliate or to any agent or representative of Distributor.

11.6 If Distributor learns of any infringement of the Trademarks or of the existence, use or promotion of any mark or design similar to the Trademarks, Distributor shall promptly notify Motorola Solutions. Motorola Solutions shall have the sole right and discretion to decide what legal proceedings or other action, if any, shall be taken, by whom, and how such proceedings or other action shall be conducted. Any legal proceedings instituted pursuant to this Section shall be for the sole benefit of Motorola Solutions and/or its licensors. Distributor shall, at Motorola Solutions' request, reasonably cooperate and assist Motorola Solutions in any such suit or action, provided that Motorola Solutions will reimburse Distributor for all documented reasonable costs Distributor incurs, including attorneys' fees. Consequently, without prior written consent of Motorola Solutions, Distributor shall not have the right to institute proceedings for infringement of any trademark which Distributor is permitted to use under this Agreement or to institute proceedings against a competitor for unfair competition or improper use of trademarks or incur any cost or obligations on behalf of Motorola Solutions or its licensors.

11.7 Distributor shall, at the request of Motorola Solutions, cooperate and assist Motorola Solutions or its licensors in the registration, maintenance and renewal of the Trademarks provided that Motorola Solutions will reimburse Distributor for all documented reasonable costs Distributor incurs, including reasonable attorneys' fees.

11.8 Distributor shall at all times conduct its business in which it uses the Trademarks in a manner consistent with the standard of quality established in this Agreement.

11.9 Distributor's rights to use any Trademark, trade name or service mark under this Section 11 shall terminate upon termination or expiration of this Agreement or as Motorola Solutions otherwise notifies Distributor.

11.10 Since unauthorized use of intellectual property would greatly diminish the value of this property and cause Motorola Solutions and its licensors irreparable harm, Distributor acknowledges that Motorola Solutions and its licensors will be entitled—in addition to any other remedies they may have—to equitable relief to protect their respective intellectual property rights, including, without limitation, temporary and permanent injunctive relief without proof of damage.

12. INTELLECTUAL PROPERTY RIGHTS AND SOFTWARE LICENSE

12.1 A separate Motorola Solutions software license and software warranty may apply to certain Products and/or individual items of software. When Distributor is advised by Motorola Solutions in writing that a Product specific software license and software warranty apply to Products that are purchased from Motorola Solutions for resale, or relicensing, as the case may be, Motorola Solutions will advise Distributor of the procedures that must be taken in connection with the sale and/or licensing of such Products and/or Motorola Solutions software such as a requirement that Distributor and each Reseller and the ultimate End Users agree to the applicable Motorola Solutions software license agreement prior to delivery thereof to such End User. From time to time, Motorola Solutions may change such separate software licenses, warranties and procedures on prior written notice to Distributor. MOTOROLA SOLUTIONS DOES NOT EXTEND ANY SOFTWARE WARRANTY TO DISTRIBUTOR OR ANY RESELLER OF DISTRIBUTOR AND ALL WARRANTIES EXPRESS OR IMPLIED ARE SPECIFICALLY EXCLUDED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

12.2 Title to software(s) in whole or in part, and all rights in patents, copyrights, trade secrets, and other intellectual properties in such software(s) are vested in, and shall remain vested in, Motorola Solutions or the third party that owns it.

12.3 Except for the right to use Motorola Solutions Products for the purposes provided herein which arises by operation of law, and except as expressly provided herein, nothing contained in this Agreement shall be deemed to grant to Distributor, its Resellers, or the End Users of those Resellers either directly or by implication, estoppel, or otherwise, any license or right under any patents, copyrights, trademarks or trade secrets of Motorola Solutions or any third party.

12.4 **Software Redistribution License and End User Software License Agreement.**

Without prejudice to Sections 12.1-12.3 above, any software program or documentation delivered to Distributor with any of the Products for resale shall be governed by the terms and conditions of Motorola Solutions' Software Redistribution License as set out in this Section.

12.4.1 In accordance with this Agreement, Motorola Solutions will provide the Distributor with Products that contain embedded, pre-loaded, or installed software. "Software," for the purposes of this Agreement, (i) means proprietary software in object code format, and adaptations, translations, decompilations, disassemblies, emulations, or derivative works of such software; (ii) means any modifications, enhancements, new versions and new releases of the software provided by Motorola Solutions; and (iii) may contain items of software owned by a third party supplier. The term "Software" does not include any third party software provided under separate license or third party software not licensable under the terms of this Agreement. "Documentation," for the purposes of this Agreement, means product and software documentation that specifies technical and performance features and capabilities, and the user, operation and training manuals for the Software (including all physical or electronic media upon which such information is provided).

12.4.2 **Software Redistribution License:** The Software Redistribution License as provided for in this Clause 12.4 sets out the terms and conditions of the license Motorola Solutions is providing to Distributor, and Distributor's use of the Software and Documentation. Motorola Solutions hereby grants to Distributor a personal, non-assignable, non-transferable, non-exclusive license under Motorola Solutions' copyrights and confidential information embodied in the Software to use the Software, in object code form, and the Documentation for the sole and

exclusive purpose of distributing such Software to Resellers, as limited herein. There is no grant to any rights to source code. Any other use of the Software is strictly prohibited and will be deemed a breach of this Agreement.

12.4.3 **End User Software License Agreement:**

The terms and conditions of Section 6 - Flow Down Requirements, will apply with respect to Distributor's obligation to include Motorola Solutions' End-User Software License Agreement (attached as Schedule 7 to this Agreement ("EULA")) in its transactions with Resellers for further flow down to their respective End Users.

12.5 Distributor acknowledges Motorola Solutions' claim that the Products furnished hereunder contain valuable trade secrets of Motorola Solutions and therefore agrees that it will not translate, reverse engineer, de-compile or disassemble, manufacture, modify, alter or make any other unauthorized use of such Products. Additionally, Distributor agrees it will not make, have made, use or sell any Products in violation of Motorola Solutions' intellectual property rights.

12.6 **Infringement Indemnification.**

12.6.1 Motorola Solutions shall defend any claim, suit or proceeding brought against Distributor insofar as it is based on a claim that the use or transfer of any hardware and licensed software delivered hereunder (defined for purposes of this Section as "Product") constitutes an infringement of a patent, trademark or copyright in existence as of the day of delivery of the Product to Distributor in the Territory (an "Infringement Claim") so long as Motorola Solutions is notified promptly in writing by Distributor as to any such action and is given full authority, information and assistance (at Motorola Solutions' expense) for the defense.

12.6.2 In addition to Motorola Solutions' obligation to defend, Motorola Solutions shall pay all damages and costs awarded therein against Distributor (or agreed to by Motorola Solutions in a settlement of an Infringement Claim) in favor of a third party. Motorola Solutions shall not be responsible for any compromise made by Distributor without its consent.

12.6.3 In addition to the foregoing in the event of an Infringement Claim, Motorola Solutions' obligation under this paragraph shall be fulfilled, at Motorola Solutions' sole option and expense, if Motorola Solutions at any time: (a) obtains a license for Distributor to continue the use or to sell the infringing Product purchased from Motorola Solutions; or (b) refunds the purchase price paid to Motorola Solutions by Distributor for such infringing Product [*****] or (c) replaces or modifies such infringing Product so as to be substantially functionally equivalent to the infringing Product but non-infringing.

12.6.4 Distributor agrees that the foregoing indemnification shall not apply and moreover shall be extended to Motorola Solutions for any claim of U.S. patent infringement which may be brought against Motorola Solutions because of: compliance with Distributor's particular design requirements, specifications or instructions. Distributor grants to Motorola Solutions the benefit of any license to Distributor under any patent which may be the subject of an infringement allegation hereunder to the extent permitted by said license.

12.6.5 Motorola Solutions shall have no liability to Distributor under this paragraph: [*****] or (ii) if any Infringement Claim is based upon the (i) use of Products delivered hereunder in

connection or in combination with equipment, devices or software not delivered by Motorola Solutions, or (ii) use of Products delivered hereunder in a manner for which the same were not designed, or (iii) modification by Distributor of Products delivered hereunder to the extent such modification is the cause of the claim or suit unless such modification was done at Motorola's written request.

12.6.6 Motorola Solutions shall further have no liability to Distributor for any Infringement Claim based on Distributor's use or transfer of the product delivered hereunder after Motorola Solutions' notice that Distributor shall cease use or transfer of such Product due to such claim. EXCEPT AS STATED ABOVE, MOTOROLA SOLUTIONS DISCLAIMS ALL WARRANTIES AND INDEMNITIES, EXPRESS IMPLIED OR STATUTORY FOR PATENT OR COPYRIGHT INFRINGEMENT

12.6.7 THIS SECTION PROVIDES DISTRIBUTOR'S SOLE AND EXCLUSIVE REMEDIES AND MOTOROLA SOLUTIONS' ENTIRE LIABILITY IN THE EVENT OF AN INFRINGEMENT CLAIM. DISTRIBUTOR HAS NO RIGHT TO RECOVER AND MOTOROLA SOLUTIONS HAS NO OBLIGATION TO PROVIDE ANY OTHER OR FURTHER REMEDIES, WHETHER UNDER ANOTHER PROVISION OF THIS AGREEMENT OR ANY OTHER LEGAL THEORY OR PRINCIPLE, IN CONNECTION WITH AN INFRINGEMENT CLAIM. IN NO EVENT SHALL MOTOROLA SOLUTIONS BE LIABLE FOR ANY OF DISTRIBUTOR'S SPECIAL, INCIDENTAL, INDIRECT, COLLATERAL, CONSEQUENTIAL OR PUNITIVE DAMAGES OR DISTRIBUTOR'S LOST PROFITS IN CONNECTION WITH ANY CLAIMS, LOSSES, DAMAGES OR INJURIES UNDER THIS SECTION. MOTOROLA SOLUTIONS' MAXIMUM LIABILITY UNDER THIS SECTION 12 WILL BE THE GREATER OF: [*****]

13. WARRANTIES

13.1 Each product warranty is extended by Motorola Solutions to the original End User of the Products [*****] Any such warranty is not assignable or transferable from the original End User to any later purchaser. The terms of Section 6 - Flow Down Requirements, will apply with respect to Distributor's obligation to include notice of the appropriate Motorola Solutions' Product warranty in its transactions with Resellers for further flow down to their respective End Users.

13.2 Products are warranted against defects in workmanship and material under the terms and for a period as defined by the Product specification data sheet furnished with each Product at shipment (and in the absence of such data sheet in accordance with the Standard Warranty Statement posted by Motorola Solutions at: www.motorolasolutions.com/partnerempoweradditionaltermsandconditions (the "Site") for the applicable Product(s), provided the Product remains unmodified and is operated under normal and proper conditions. From time to time Motorola Solutions may change its Standard Warranty Statements by posting a notice on the Site of such change.

MOTOROLA SOLUTIONS DOES NOT EXTEND ANY WARRANTY TO DISTRIBUTOR OR TO ANY RESELLER OF DISTRIBUTOR. OTHER THAN WHAT IS STATED IN THE WARRANTIES FOR THESE PRODUCTS, MOTOROLA SOLUTIONS MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

13.3 Distributor may not issue any warranties, guarantees, or licenses that purport to obligate Motorola Solutions to any person or entity other than the applicable warranties or license specified here and furnished for the Products by Motorola Solutions. [*****] To the extent that Distributor makes any warranty or representation to its customers or any other third party in respect of the Products which is not consistent with Motorola Solutions' warranty, including without limitation the warranty duration, it is understood that such representation or warranty shall be made solely for Distributor's account and shall not bind Motorola Solutions.

13.4 The duration of the warranty will be extended by an additional [*****] from the date of shipment unless otherwise provided by Motorola Solutions in writing, considering it is sold through Resellers, to allow for shipment and some stock time.

13.5 If any Product furnished under this Agreement is defective, [*****]

13.6 OUT OF BOX FAILURE. An out-of-box Product failure is eligible for duplicate Product exchange or credit, as noted on the Distributor's request for return. Product is returned to Motorola Solutions in accordance with the return authorization procedure in Section 3.2 of Schedule 2, except that it is anticipated that the Product's original packaging will be opened.

13.7 [*****]

13.8 THE LIMITED WARRANTY IS THE ONLY WARRANTY PROVIDED BY MOTOROLA SOLUTIONS, AND MOTOROLA SOLUTIONS AND ITS LICENSORS EXPRESSLY DISCLAIM ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. MOTOROLA SOLUTIONS DOES NOT WARRANT THAT THE OPERATION OF THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE PRODUCTS WILL BE CORRECTED. NO ORAL OR WRITTEN REPRESENTATIONS MADE BY MOTOROLA SOLUTIONS OR AN AGENT THEREOF SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF THIS WARRANTY. MOTOROLA SOLUTIONS DOES NOT WARRANT ANY PRODUCTS THAT HAVE BEEN OPERATED IN EXCESS OF SPECIFICATIONS, DAMAGED, MISUSED, NEGLECTED, OR IMPROPERLY INSTALLED.

14. ETHICAL STANDARDS & BACKGROUND INFORMATION

Distributor will strictly adhere to the terms and conditions of Schedule 8 - Business Policy and Compliance with Law, which is attached to this Agreement and incorporated herein. Distributor agrees that a breach of any of the terms and conditions contained in Schedule 8 shall constitute just cause for the immediate termination of this Agreement without any liability whatsoever of Motorola Solutions to Distributor other than any obligations Motorola Solutions may have under the Agreement which survive the termination of the Agreement.

15. EXPORT CONTROLS

This Agreement is made subject to all laws, regulations, orders or other restrictions on the export from the United States and, if applicable Canada, of Products and accompanying documentation, or of other technical data and information about such Products, which may be imposed from time to time. The parties agree to comply with all applicable laws and regulations of the United States

of America regarding export licenses or the control or regulation of exportation or re-exportation of any Product, parts, source code, documentation, technical data or a direct product thereof sold or supplied to Distributor. This includes, without limitation, the applicable export control and economic sanctions laws, regulations and requirements administered by the Commerce Department's Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control as they may govern the export and re-export of items supplied under these Terms and Conditions. In order to facilitate Distributor's compliance with export control laws, regulations and requirements, Motorola Solutions agrees to identify the agency having jurisdiction with respect to the export of each item supplied under the Agreement. Where the agency having jurisdiction is the Department of Commerce, Motorola Solutions also will provide to Distributor the Export Control Classification Number and the Harmonized Tariff Schedule Number for each item supplied under this Agreement, together with any relevant information concerning eligibility for export under any License Exception or No License Required designation under the U.S. Export Administration Regulations, including copies of any Commodity Classifications (Form BIS-6002L), Export Licenses and/or CCATS number(s) related to the items supplied under this Agreement.

16. LIMITATION OF LIABILITY

16.1 EXCEPT FOR BODILY INJURY AND DAMAGE TO TANGIBLE PROPERTY, EXCLUDING THE PRODUCTS (WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY) AND WITH RESPECT TO MOTOROLA SOLUTIONS' INDEMNIFICATION OBLIGATIONS, WHICH WILL BE GOVERNED BY THE TERMS OF SECTION 12.6:

(A) EACH PARTY'S TOTAL LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT WHETHER FOR BREACH OF CONTRACT, WARRANTY, A PARTY'S NEGLIGENCE, STRICT LIABILITY IN TORT OR OTHERWISE, IS LIMITED TO [*****]

(B) IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR INCIDENTAL, SUBSTITUTE PROCUREMENT, CONSEQUENTIAL, EXEMPLARY OR PUNITIVE, SPECIAL OR INDIRECT DAMAGES, LOST BUSINESS PROFITS, OR LOSS, DAMAGE OR DESTRUCTION OF OR INACCURATE DATA, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), BREACH OR FAILURE OF WARRANTY OR OTHERWISE, EVEN IF EITHER PARTY HAS BEEN ADVISED AS TO THE POSSIBILITY OF SAME.

17. FORCE MAJEURE

Shipping dates acknowledged by Motorola Solutions are approximate and Motorola Solutions will not be liable for any loss or damage due to its failure to meet scheduled shipping dates. Motorola Solutions shall in no event be liable for any delay or default in its performance of any obligation under this Agreement caused directly or indirectly by an act or omission of Distributor, fire, flood, act of god, acts of government, an act or omission of civil or military authority of a state or nation, strike, lockout or other labor problem, inability to secure, delay in securing or shortage of labor, materials, supplies, transportation or energy, failures of subcontractors or suppliers, or by war, riot, embargo or civil disturbance, breakdown, or destruction of plan or equipment arising from any cause whatsoever, or any cause or causes beyond Motorola Solutions' reasonable control. At Motorola Solutions' option and following notice to Distributor,

any of the foregoing causes shall be deemed to suspend such obligations of Motorola Solutions as long as any such cause shall prevent or delay performance, and Motorola Solutions agrees to make and Distributor agrees to accept performance of such obligations whenever such cause has been remedied.

18. TERMINATION

18.1 (a) Either Party upon giving the other Party at least thirty (30) days prior written notice may terminate this Agreement at any time, without cause. Such termination shall be effective on the date stated in the said notice.

18.1 (b) This Agreement shall also terminate in the event of any of the following, effective thirty (30) days from receipt of written notice: (i) failure to cure a material breach within twenty (20) business days from receipt of notification of such breach; (ii) the liquidation or insolvency of the other Party, (iii) filing of a meritorious petition in bankruptcy by or against the other Party under any bankruptcy or debtors' law for its relief of reorganization.

18.2 EFFECT OF TERMINATION.

18.2 (a) In the event this Agreement is terminated by Motorola Solutions for its convenience, or for any reason other than those listed in subparagraph 18.1(b), Motorola Solutions shall [*****] Motorola Solutions shall [*****]

18.2 (b) in the event this Agreement is terminated by the Distributor for any reason listed in subparagraph 18.1(b), Motorola Solutions shall [*****]

[*****]

18.3 Rights Upon Termination. [*****] Termination of the Agreement shall not affect Motorola Solutions' right to be paid for undisputed invoices for Products already shipped. The termination of this Agreement shall not affect any of Motorola Solutions' warranties, indemnifications or obligations relating to returns, credits or another matters set forth in the Agreement that are to survive termination. Upon termination of this Agreement, Distributor shall discontinue representing itself as a distributor of Motorola Solutions' products. The termination of this Agreement shall not affect the obligations of either Party to the other Party pursuant to any Purchase Order forwarded to Motorola Solutions prior to the last date of the Agreement.

19. FAILURE TO ENFORCE

The failure of either Party to enforce at any time or for any period of time the provisions hereof in accordance with its terms shall not be construed to be a waiver of such provisions or of the rights of such Party thereafter to enforce each and every such provision.

20. NOTICE

20.1 **NOTICES.** Notices or other communications required hereunder shall be in writing, sent by: (i) hand, or (ii) overnight courier to the appropriate Party as follows:

To Distributor:

ScanSource, Inc.
6 Logue Court, Greenville, SC 29615.

To Motorola Solutions:

MSSSI Vice President for NA Distribution,
NA Distribution Channel Management
Motorola Solutions, Inc.
1303 East Algonquin Road
Schaumburg, Illinois 60196

With a copy to:

Motorola Solutions Law Department
1303 East Algonquin Road
Schaumburg, Illinois 60196
Attention: Vice President, Commercial Law

Unless a notice of change of address shall have been received prior to the notice thereof.

20.2 Any such notice shall be deemed to have been received on the day it is received by the addressee.

21. ASSIGNMENT AND SUBCONTRACTING

21.1 This Agreement is personal between Motorola Solutions and Distributor. Motorola Solutions and Distributor may assign all of their respective obligations under this Agreement to an Affiliate thereof or to any third party, provided that such Affiliate or third party undertakes with Distributor or with Motorola Solutions (as the case may be) to be bound by all the provisions of this Agreement. Any and all assignments by either Party pursuant to the foregoing provisions shall be subject to prior notice received by the other Party ninety (90) days in advance of such assignment taking effect. Motorola Solutions may subcontract the performance of any of its obligations hereunder and/or transfer any of its rights (including without limitation the right to invoice and receive payment for Products supplied) under this Agreement to a Motorola Solutions Affiliate or third party at any time, provided that no such subcontracting or transfer shall relieve Motorola Solutions of its obligations under this Agreement.

21.2 [*****]

22. GOVERNING LAW AND DISPUTE RESOLUTION

22.1 **Law.** This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof and excluding the convention on contracts for the international sale of goods. Each Party hereby irrevocably and unconditionally submits for itself and its property in any legal action or proceeding relating to this Agreement or for recognition and enforcement of any judgment in respect thereof, to the exclusive general jurisdiction of the state courts located in New York, New York, and to the United States District Court for the Southern District of New York, and to the respective appellate courts thereof in connection with any appeal there from. Each Party specifically consents to service of process by and the jurisdiction of and venue in those courts and waives any claim to venue in any other

court, and if either Party is not a resident of the United States, hereby appoints the Secretary of State of New York as its agent for service of process in the United States.

22.2 Either Party may resort to the judicial proceedings in a court of competent jurisdiction if interim relief is necessary to prevent serious and irreparable injury to such Party or any of its Affiliates, agents, employees, customers, suppliers, or subcontractors.

23. **EXECUTION, MODIFICATION AND SEVERABILITY**

23.1 **Entire Agreement; No Waiver.** This Agreement, along with any Schedules, Annexes and references contained therein, shall constitute the entire agreement between Motorola Solutions and Distributor and no attempted variation, modification or waiver of any provision of this Agreement shall have any force or effect unless consented to in writing signed by the Party against whom enforcement thereof is sought. Such variation, modification or waiver shall be effective only in the specific instance consented to. A failure by any Party to exercise or delay in exercising any right or power conferred upon it in this Agreement shall not operate as a waiver of any such right or power.

23.2 Without limiting the foregoing, all Distributor and its Affiliates' previous Agreements with Motorola Solutions, Inc. or any of its Affiliates relating the subject matter hereof in North America and Latin America and the Caribbean (as amended), including without limitations the Agreement with Distributor entered into between Distributor and Symbol Technologies, Inc. with an effective date of April 17, 2001, and the OEM Distributor Addendum executed on or about March 2008 (as amended), the Distribution Agreement entered into between CDC Brasil S.A. and Motorola, Inc., Motorola Solutions Industria de Produtos de Banda Larga LTDA and Symbol Technologies, Inc., with an effective date of October, 25, 2010, and any other agreements under the Motorola Solutions PartnerSelect Program, (collectively "**Previous Agreements**") will terminate upon execution of this Agreement.

23.3 This Agreement shall not become effective or binding upon the Parties until duly executed and the conditions precedent fulfilled, where applicable. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which shall constitute one and the same instrument. A facsimile copy or computer image, such as a PDF or tiff image, of a signature shall be treated as and shall have the same effect as an original signature. In addition, a true and correct facsimile copy or computer image of this Agreement shall be treated as and shall have the same effect as an original signed copy of this document.

23.4 The provisions of this Agreement that by their object or by their nature are intended to survive the expiry or termination of this Agreement shall so survive and bind the Parties and their permitted assigns.

23.5 In the event of any inconsistency between the provisions of this Agreement and the Program materials or the materials on the Web Site(s), the provisions of this Agreement shall prevail.

23.6 If, at any time during the term of this Agreement, any provision hereof is found by a court of competent jurisdiction to be void or unenforceable, said provision shall be modified as necessary to conform to such laws or, if such modification would destroy the intent of the Parties, said provision shall be severed here from and this Agreement shall be interpreted without reference thereto.

24. TITLES, CLAUSES AND APPENDICES

The Section headings used herein are for descriptive purposes only and shall not be used in construing the provisions of this Agreement.

25. THIRD PARTY RIGHTS

Any person who is not a party to this Agreement (whether or not such person shall be named, referred to, or otherwise identified, or form part of a class of persons so named, referred to or identified, in this Agreement) shall have no right whatsoever to enforce this Agreement or any of its terms. The Parties do not intend to make any of the terms of this Agreement enforceable by any third party.

IN WITNESS WHEREOF, this Agreement has been executed by both Parties hereto.

SYMBOL TECHNOLOGIES, INC.

Signature: /s/ Mike deVente

Print Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCANSOURCE, INC.

Signature: /s/ Buck Baker

Print Name: Buck Baker

Title: Pres. Worldwide Barcode & Security

Date: February 10, 2014

SCHEDULE 1

MARKET INFORMATION AND DISTRIBUTOR BUSINESS MODEL

1. **GEOGRAPHICAL AREA (“TERRITORY”) FOR ALL PRODUCTS** (Unless specified otherwise in Schedule 5 - Sales where the US Federal Government is the End User or in any other Schedule):

[*****]

2. **DISTRIBUTOR’S BUSINESS MODEL: (Per the Program Elements as of the Effective date)**

For each Business Model checked below, Distributor agrees to be bound by the specific provisions set forth in the Schedules (if any) indicated next to such Business Model.

- Value Added Distributor (No specific Schedule)
 Other business models based on Program categories (TBD)

3. **CUSTOMER’S DISTRIBUTOR WILL SERVE: (Per the Program Elements as of the Effective Date)**

For each box checked below Distributor agrees to be bound by the specific provisions set forth in the referenced Schedules.

[*****]

* A specific Schedule may be added by Motorola Solutions in the future to address this group of customers)

4. **NAMED END-USER ACCOUNTS EXCLUDED FROM DISTRIBUTOR IN LATIN AMERICA AND THE CARRIBEAN**

Unless as otherwise agreed between the parties, e.g. via a price exception or special pricing scenario, Distributor will not knowingly supply a reseller attempting to sell Motorola Products to the list of end-users below. Distributor is subject to this limitation only to the extent all other Motorola distributors are subject to the same limitation with the same list of named accounts.

[*****]

SCHEDULE 2

TERMS AND CONDITIONS OF SALE

1.0 PRICE AND DISCOUNTS.

1.1 Distributor's upfront discount off List Price per Product category as of the Effective Date hereof, is provided in Annex 2 to this Schedule 2 (the "Upfront Discount").

1.2 [*****]

1.3 Changes to List Price and Upfront Discount will be handled as follows: [*****]

1.4 Motorola Solutions shall make available its [*****]

1.5 Motorola Solutions may, from time to time, [*****]

2.0 PRODUCT DISCONTINUANCE.

2.1 Motorola Solutions may, from time to time, and at its sole option, discontinue the manufacture and sale of any Product ("Discontinued Product"). [*****] The last sale date also referred to as "Last Book Date," of Discontinued Product by Motorola Solutions will be as published on the PMB (the "**Product Discontinuance Effective Date**"). Subject to the terms of Section 8 of the Agreement, Distributor shall be entitled [*****]

2.2 [*****]

3.0 PRODUCT RETURN AND STOCK ROTATION.

3.1 Distributor will have stock rotation rights in accordance with [*****] As of the Effective Date of this Agreement, Distributor's stock rotation rights shall be [*****]

3.2 As of the Effective Date of this Agreement, Distributor is permitted stock rotation privileges conditioned upon all of the following: [*****]

3.3 Provided Distributor complies with all Motorola Solutions Product return criteria as detailed in paragraph 3.2 above, [*****]

3.4 [*****]

4.0 SHIPPING AND RISK OF LOSS

4.1 Unless otherwise agreed in writing, [*****]

4.2 Unless provided otherwise in a Participation Agreement covering [*****] Risk of loss and title shall pass from Motorola Solutions to Distributor upon [*****]

4.3 Distributor shall have the responsibility to pay for [*****] Motorola Solutions shall not be liable for any damages or penalty for delay caused solely by transportation or failure to give notice of such delay.

5.0 TAXES

Prices are exclusive of all federal, state, municipal or other government excise, custom duties, sales, use, occupational or like taxes in force and any such taxes shall be assumed and paid for by Distributor. In order to exempt a sale from sales or use tax liability, Distributor will supply a certificate of exemption or similar document to Motorola Solutions at the time of order placement.

6.0 TERMS OF PAYMENT.

6.1 *For Hardware and Software Products* - terms are [*****] Each shipment shall be invoiced and paid for when due without regard to other scheduled deliveries.

6.2 *For Services* - payment terms for the purchase of Motorola Solutions' services are [*****] These charges do not include applicable taxes or Motorola Solutions' imposed charges for zones, response time, custom service options or extended hours of coverage. [*****]

6.3 Motorola Solutions reserves the right at any time to revoke any credit extended to Distributor if payment is in arrears on an undisputed invoice for more than thirty (30) days after notice to Distributor or Distributor's credit does not warrant further extension of credit. [*****]

6.4 Distributor must provide Motorola Solutions with written notice of any discrepancies from the Order, the invoice, and the Products received within twenty (20) days of receipt of Products or the invoice, whichever occurs later. Any positive changes to Distributor's account as a result of the Order, invoice or Product discrepancies will be credited to Distributor's account. Both Parties will use all reasonable efforts to settle discrepancies and Distributor shall pay promptly undisputed parts of invoices in accordance with Section 6.1 and 6.2 of this Schedule 2 to avoid delays in payment.

SCHEDULE 2

ANNEX 1

TERMS AND CONDITIONS FOR USE OF ELECTRONIC DATA INTERCHANGE

1. General

In accordance with Section 8.3 of the Agreement, you may place Orders and we may accept Orders through the electronic transmission and receipt of data via an approved Web Site ordering process (“Electronic Data Interchange” or “EDI”). The terms and conditions herein govern such use of EDI.

2. Scope

The Parties agree that the transactions effected by the use of EDI in accordance with the terms and conditions herein are not legally invalid or unenforceable as a result of the use of EDI.

3. Consistency with Law

Each Party shall ensure that their performance according to the terms and conditions herein is not and will not be inconsistent with the law of its own respective country and shall act in the fulfillment of the Distribution Agreement to which these terms are attached (the “Agreement”) according to the applicable laws that govern the Agreement.

4. Terms and Conditions

The terms and conditions of the Agreement shall continue to apply to all transactions using EDI.

5. System Operations

Each Party at its own expense shall provide and maintain the hardware, software, services and testing necessary to effectively transmit and receive electronic data through the Web Site.

6. Security Procedures

- a. The Parties will implement and maintain security procedures and measures in order to ensure the protection of EDI against the risks of unauthorized access, alteration, delay, destruction or loss.
- b. Security procedures and measures include the verification of origin, the verification of integrity, the non-repudiation of origin and receipt and the confidentiality of EDI.

Security procedures and measures include the verification of origin and the verification of integrity in order to identify the sender of any electronic data or document and to ascertain that any such data or document received is complete and has not been corrupted are mandatory.
- c. If the use of security procedures and measures results in the rejection of or in the detection of an error in any EDI, the receiver shall inform the sender thereof as soon as

possible. The receiver of such EDI shall not act until instructions are received from the sender. Where a rejected or erroneous data is re-transmitted by the sender, the later in time data shall supersede the earlier transmitted data.

7. Recording and Storage of Data

- a. A complete and chronological record of all electronically transmitted data exchanged by the Parties in the course of a trade transaction/Order shall be stored by each Party, unaltered and securely, in accordance with the time limits and specifications prescribed by the legislative requirements of its own national law, and, in any event, for a minimum of seven years following the completion of the transaction.
- b. Unless otherwise provided by national laws, all electronically transmitted data shall be stored by the sender in the transmitted format and by the receiver in the format in which they are received.
- c. Parties shall ensure that electronic or computer records of such data shall be readily accessible, are capable of being reproduced in a human readable form and of being printed, if required. Any operational equipment required in this connection shall be retained.

8. Garbled Transmissions

If any EDI is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party (if identifiable from the received document) within a reasonable time. In the absence of such a notice, the originating party's records of the contents of such transmission shall control.

9. Validity; Enforceability

- a. The Agreement has been executed by the Parties to evidence their mutual intent to create binding purchase and sale obligations in connection with electronically transmitted Orders placed via the Web Site.
- b. Any document or data properly transmitted electronically pursuant to the Agreement shall be considered to be a "writing" or "in writing."
- c. The Parties agree not to contest the validity or enforceability of documents or data electronically submitted pursuant to the Agreement under the provisions of any applicable law relating to whether certain documents or data are to be in writing or signed by the Party to be bound thereby. Electronic documents, if introduced as evidence on paper in any judicial, arbitration, mediation or administrative proceedings, will be admissible as between the Parties to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither Party shall contest the admissibility of copies of electronic documents under either the business records exception to the hearsay rule nor the best evidence rule on the basis that the electronic documents were not originated or maintained in documentary form.

10. Liability.

- a. Subject to Limitations of Liability provision of the main body of the Agreement, if a Party engages any intermediary to perform such services as the transmission, logging or processing of a document electronically pursuant to the Agreement, that Party shall be liable for damage arising directly from that intermediary's acts, failures or omissions in the provision of said services.
- b. Subject to Limitations of Liability provision of the main body of the Agreement, if a Party requires another Party to use the services of an intermediary to perform the transmission, logging or processing of data or document, the Party who required such use shall be liable to the other Party for damage arising directly from that intermediary's negligent acts or willful misconduct in the provision of said services.

**SCHEDULE 2
ANNEX 2**

DISTRIBUTOR'S UPFRONT DISCOUNT OFF LIST PRICE

[*****]

SCHEDULE 2

ANNEX 3

[***]**

SCHEDULE 3

PRODUCT TECHNOLOGY SEGMENT(S) AND SPECIAL PROVISIONS RELATING THERETO

[*****]

**Annex 1 to Schedule 3
of
North America Distributor Agreement**

This Annex 1 to Schedule 3 of the Distributor Agreement applies only to Products that are part of the above listed Technology Segments. It contains supplementary terms and conditions that are additional to, and shall prevail over, the terms and conditions of the Agreement with respect to purchases related to Products in those Technology Segments.

1. SALE OF SERVICES TO CUSTOMER (Not applicable to the MESH Technology Segment)

- (i) Intentionally omitted.
- (ii) Distributor is encouraged to participate in Motorola Solutions’ training and certification programs and in the resale of Services. Motorola may provide Services to Distributor on a subcontracting basis or to End Users (through Distributor and its Resellers) on a direct basis, all as specified in (iv) and (v) hereof. Nothing contained herein will prevent Motorola Solutions from offering and selling services directly to End Users based on business, technical or other strategic reasons.
- (iii) For the purposes of this Annex 1 the following terms will have the meaning assigned thereto as herein provided:

“**Break/Fix Services**” means services that:

- (a) Are performed or delivered on a device to restore it to the defined specifications after it has failed or been damaged, either at a Motorola Solutions repair center or at the Customer location.
- (b) Provide preventive maintenance on a device before component failure, and/or
- (c) Provide full access to technical support resources and the right to use and copy entitled software releases, if any, for the products covered by a service agreement or warranty.

Examples include, without limitation: Service from the Start, Service Center Bronze, Advance Exchange, Enterprise Mobility Software Support, Flat Rate Repair and Time & Material.

“**Indirect Model**” shall mean when Distributor procures the Sell Through Services from Motorola Solutions for further resale (via Resellers) to End-Users, only on the Motorola Solutions Services Contract terms.

“**Motorola Services Contract**” means:

- (a) When Break/Fix Services are purchased, Motorola Solutions’ terms and conditions posted at www.motorolasolutions.com/partnerempoweradditionaltermsandconditions (the “Site”) under the title Break/Fix Services, and when Other Services are purchased the terms and conditions posted on the Site under the title Professional Services Terms; and

- (b) Motorola Solutions' standard service description document ("SDD") which defines the scope of the Sell Through Services and the Subcontracted Services. Motorola Solutions may amend the terms and conditions of the Break/Fix Services, the Professional Services and the SDDs at any time and upon written notice to Distributor.

"**Other Services**" means any services offering available from Motorola Solutions for resale other than Break/Fix Services.

"**Sell Through Services**" shall mean the provision of services by Motorola Solutions to End-Users.

"**Subcontracted Services**" shall mean when Distributor is subcontracting Motorola Solutions to perform the services while maintaining the sole point of contact with the Resellers.

(iv) Sell Through Services

- (a) Distributor agrees that it will procure and offer the Sell Through Services only on the basis of the Indirect Model.
- (b) Distributor agrees that in the event Motorola Solutions provides Subcontracted Services the terms of the Motorola Solutions Services Contract will apply.
- (c) Distributor acknowledges and agrees that:
- (i) the Motorola Solutions Services Contract shall be the operative contract between Distributor and Resellers for the supply of the Sell Through Services;
- (ii) The terms and conditions of Section 6 of the Agreement - Flow Down Requirements, will apply with respect to Distributor's obligation to include Motorola Solutions' Services Contracts in its transactions with Resellers for further flow down to their respective End Users.
- (d) The provisions in this Section (iv) shall take precedence over any other terms set forth in Motorola Solutions' standard Service Order Form unless specifically agreed to in a writing identified as an amendment to this Agreement.
- (v) Subcontracted Services. Distributor agrees that in the event Motorola Solutions provides Subcontracted Services the terms of the Motorola Services Contract will apply.

SCHEDULE 4 A
PARTICIPATION AGREEMENT
RELATING TO DISTRIBUTION AGREEMENT
BETWEEN
SYMBOL TECHNOLOGIES, INC.
AND
SCANSOURCE, INC.

WHEREAS **Symbol Technologies, Inc.**, a wholly owned subsidiary of Motorola Solutions, Inc. (“Motorola Solutions”) on one side, and ScanSource, Inc., and ScanSource Latin America (both referred to as “Distributor”) on the other side, are entering into a Distribution Agreement on an even date hereof (the “Agreement”); and

WHEREAS **CDC Brasil Distribuidora de Tecnologias Especiais Ltda.**, a Distributor’s Affiliate incorporated and organized under the laws of Brazil, with offices in the City of São Jose dos Pinhais, State of Paraná, at Avenida Rui Barbosa, 2529, Módulos 11 and 12, Bairro Jardim Ipê, CEP: 83055-320, enrolled with the Taxpayer Register (CNPJ/MF) under No. 05.607.657/0001-35 (“ScanSource Brasil”) wishes to purchase Products pursuant to the terms and conditions of the Agreement by entering into this Participation Agreement (“PA”); and

WHEREAS certain Products to be purchased by ScanSource Brasil will be available for sale in Brazil by **Motorola Solutions Ltda.**, an Affiliate of Motorola Solutions, Inc. organized under the laws of Brazil, with headquarters in the City of São Paulo, State of São Paulo, at Avenida Magalhães de Castro, n° 4800, 7° e 8° andar, Torre 3, CEP: [*****], enrolled with the Taxpayer Register (CNPJ/MF) under No. [*****], (“**Motorola Ltda.**”) and Motorola Ltda wishes to sell those Products to **ScanSource Brasil** pursuant to the terms and conditions of the Agreement by entering into this PA;

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. GENERAL PROVISIONS

- 1.1 This PA automatically incorporates any future amendments to the Agreement and such amendments will be made part of the PA to the extent they do not conflict with the PA and unless otherwise agreed in writing by the parties to this PA.
- 1.2 By signing this PA Motorola Ltda. hereby agrees to be bound by the terms of the Agreement (as modified herein) as a party thereto for the sole purpose of conducting business with and selling Products to ScanSource Brasil (the “Purpose”) and ScanSource Brasil hereby agrees to be bound by the terms of the Agreement (as modified herein) as a party thereto for the Purpose.
- 1.3 Motorola Ltda. does not assume any obligations (prior, current or future) of Symbol Technologies, Inc. under the Agreement and SCANSOURCE BRASIL does not assume any obligations (prior, current or future) of Scan Source, Inc. under the Agreement.

1.4 Motorola Ltda. and SCANSOURCE BRASIL respectively confirm that their authorized representatives have reviewed and understood the terms and conditions of the Agreement and agree to honor and be bound thereby as a party thereto by signing this PA.

1.5 Motorola Ltda. and ScanSource Brasil respectively, represent and warrant:

1.2 That they are duly incorporated, validly existing and in good standing under the laws of the jurisdiction of their incorporation and have the power and authority to enter into and perform their respective obligations under the Agreement and under this PA.

1.3 That the person executing and delivering this PA on behalf of Motorola Ltda. and ScanSource Brasil respectively, is duly authorized to make such execution and delivery and, upon the execution and delivery, this PA will constitute a valid obligation binding upon and enforceable against Motorola Ltda. and ScanSource Brasil, as applicable, in accordance with its terms.

1.6 Except for the modifications contained herein, the Agreement shall remain in full force and effect in accordance with its terms.

1.7 In the event of a conflict between the terms of the Agreement and this PA, the terms of the PA shall take precedence.

2. DEFINITIONS

For purposes of this PA only:

2.1 The term “Motorola Solutions” shall mean Motorola Ltda.

2.2 The term “Distributor” shall be mean SCANSOURCE BRASIL.

2.3 The term “Parties” shall be Motorola Ltda. and SCANSOURCE BRASIL.

2.4 The term “Territory” shall mean Brazil.

3. PURCHASE ORDER PROCEDURE

3.1 In order to place a purchase order SCANSOURCE BRASIL shall access the Motorola Ltda. Procurement System indicated by Motorola Ltda.

3.2 If requested by SCANSOURCE BRASIL, in support of the sale of Motorola Ltda. hardware and software products, Motorola Ltda. may provide support services to SCANSOURCE BRASIL such as systems engineering, programs management and field service engineers and will charge SCANSOURCE BRASIL accordingly.

3.3 At any time prior to shipment of hardware products, Motorola Ltda. shall accept alterations or cancellation to a purchase order in order to: (i) change a location for delivery, (ii) modify the quantity or type of such products to be delivered or (iii) correct typographical or clerical errors.

3.4 [*****]

4. SHIPPING AND RISK OF LOSS

Unless otherwise agreed in writing, [*****]

5. PRICE AND DISCOUNTS

5.1 SCANSOURCE BRASIL's upfront discount off List Price per Product category as of the Effective Date hereof, is provided in Annex 1 to this Participation Agreement.

5.2 [*****]

6. PAYMENT TERMS

6.1 [*****]

6.2 Unless otherwise approved in writing by both Parties, [*****]

6.3 SCANSOURCE BRASIL will be charged a default penalty at a rate [*****] for each [*****] on all amounts due to Motorola Ltda., [*****]

7. TAXES

7.1 Prices are exclusive of all government value added; sales, use or other like taxes in force and any such taxes shall be assumed and paid for by SCANSOURCE BRASIL. Except where Motorola Ltda.'s price to SCANSOURCE BRASIL includes any excise, customs duties or other applicable import taxes in force, such taxes shall also be assumed and paid by SCANSOURCE BRASIL. If applicable law requires SCANSOURCE BRASIL to withhold any income taxes levied by the Territory authorities on payments to be made pursuant to this PA ("Withholding Tax"), SCANSOURCE BRASIL shall take advantage of the reduced Withholding Tax provided for by the Territory — foreign country tax treaty then in force and shall be entitled to deduct such Withholding Tax from the payments due to Motorola Ltda. hereunder. SCANSOURCE BRASIL shall promptly effect payment of the Withholding Tax to the appropriate tax authorities and shall transmit to Motorola Ltda. within 10 (ten) business days of such payment official tax receipts or other evidence issued by the appropriate tax authorities sufficient to enable Motorola Ltda. to support a claim for foreign tax credits in the United States and/or the United Kingdom. SCANSOURCE BRASIL further agrees to assist Motorola Ltda., upon request, if Motorola Ltda. contests, by appropriate legal or administrative proceedings, the validity or amount of the Withholding Tax. In the event Motorola Ltda. does not receive official tax receipts or other evidence 60 (sixty) days of the date of the Motorola Ltda. invoice, Motorola Ltda. shall have the right to invoice SCANSOURCE BRASIL for such Withholding Tax and SCANSOURCE BRASIL agrees to pay such amounts upon receipt of invoice.

8. NOTICES

8.1 Notices or other communications required to be given to Motorola Ltda., shall be sent, as specified on the Agreement, to the following addresses:

If to Motorola Ltda.:

Departamento Legal Avenida Magalhães de Castro, nº4800, 8º andar, Torre 3
São Paulo, SP
CEP: 05676-120
Attention: Commercial Counsel
Fax (11) 3758-3900

With a copy to:

Motorola Solutions, Inc. Law Department
1303 East Algonquin Road
Schaumburg, Illinois, 60196
Attention: Vice President, Commercial Law
Fax (847) 576 0721

If to ScanSource Brasil:

Avenida Ceci, nº 608, Galpão B21, Bairro Tamboré
Barueri, SP
CEP: 06460-120
Attention: Commercial Director

With copy to:

ScanSource, Inc.
6 Logue Court
Greenville, SC 29615

9. STOCK ROTATION

9.1 At the relevant Motorola selling entity's discretion, [*****]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date below.

MOTOROLA SOLUTIONS LTDA.

By: /s/ Pavlo Aparecidoc

Name: Pavlo Aparecido

Title: MSSI VP G&PS for Brazil

Date: Feb. 12, 2014

SYMBOL TECHNOLOGIES, INC.

By: /s/ Mike deVente

Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCANSOURCE LATIN AMERICA

By: /s/ Buck Baker

Name: Buck Baker

Title: Director

Date: February 10, 2014

**CDC BRASIL DISTRIBUIDORA DE TECNOLOGIAS
ESPECIAIS LTDA.**

By: /s/ Alexandre Conde

Name: Alexandre Conde

Title: President

Date: February 11, 2014

SCANSOURCE, INC.

By: /s/ Buck Baker

Name: Buck Baker

Title: Pres. Worldwide Barcode & Security

Date: February 10, 2014

SCHEDULE 4 A

ANNEX 1- DISTRIBUTOR'S UPFRONT DISCOUNT OFF LIST PRICE

[*****]

SCHEDULE 4 B
PARTICIPATION AGREEMENT
RELATING TO DISTRIBUTION AGREEMENT
BETWEEN
SYMBOL TECHNOLOGIES, INC.
AND
SCANSOURCE, INC.

RECITALS

- A. **Symbol Technologies, Inc.** (referred to in this Participation Agreement as “**Motorola Solutions**”) and **ScanSource, Inc.** (“**Distributor**”) entered into a Distribution Agreement on even date hereof (the “**Agreement**”).
- B. **(1) ScanSource Latin America, Inc.**, a Distributor Affiliate incorporated in Florida, whose registered business address is 1935 NW 87 Avenue, Miami, Florida 33172 (“**Scan Source Latin America**”); and

(2) CDC Brasil Distribuidora de Tecnologias Especiais Ltda., a Distributor’s Affiliate incorporated and organized under the laws of Brazil, with offices in the City of São José dos Pinhais, State of Paraná, at Avenida Rui Barbosa, 2529, Módulos 11 and 12, Bairro Jardim Ipê, CEP: 83055-320, enrolled with the Taxpayer Register (CNPJ/MF) under No. 05.607.657/0001-35 (“**ScanSource Brasil**”)

(Scan Source Latin America and ScanSource Brasil will be collectively referred to herein as “**Participants**”)

Wish to purchase Products pursuant to the Terms of the Agreement by entering into the terms of this Participation Agreement with Motorola Solutions (“PA”).

THE PARTIES AGREE AS FOLLOWS:

1. Expressions used in this PA shall have the same meanings given to them in the Agreement, unless the context requires otherwise.
2. This PA automatically incorporates any future amendments to the Agreement and such amendments will be made part of this PA to the extent that the amendments do not conflict with this PA, unless otherwise agreed in writing by the parties to this PA.
3. Participants adopt and incorporate by reference all of the terms and conditions of the Agreement. Participants confirm that they have reviewed and understood the terms and conditions of the Agreement.

4. Participants agree to honor and be bound by the Agreement as parties thereto by signing this PA and the parties agree that the purchases and sales of Products will be conducted in accordance with, and be subject to, the terms and conditions of the Agreement.
5. Participants and each one respectively) hereby represent and warrant to Motorola Solutions:
 - a. That they are duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation and have the power and authority to enter into and perform its obligations under this PA.
 - b. That the individuals executing and delivering this PA on behalf of Participants are duly authorized to make such execution and delivery and, upon the execution and delivery, this PA will constitute a valid obligation binding upon and enforceable against Participants in accordance with its terms.
6. The following will replace Sections 6.1 and 6.2 of Schedule 2 of the Agreement with respect to ScanSource Brasil payment terms:

[*****]

For the avoidance of doubt, the terms of this Section 6 will not apply to Scan Source Latin America and its payment terms will be as specified in the Agreement.
7. Except for the amendments contained herein, the terms of the Agreement shall remain in full force and effect in accordance with its terms.
8. In the event of conflict, the terms of this PA shall take precedence.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date below.

SYMBOL TECHNOLOGIES, INC.

By: /s/ Mike deVente

Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCANSOURCE, INC.

By: /s/ Buck Baker

Name: Buck Baker

Title: Pres. Worldwide Barcode & Security

Date: February 10, 2014

**CDC BRASIL DISTRIBUIDORA DE TECNOLOGIAS
ESPECIAIS LTDA.**

By: /s/ Alexandre Conde

Name: Alexandre Conde

Title: President

Date: February 11, 2014

SCANSOURCE LATIN AMERICA

By: /s/ Buck Baker

Name: Buck Baker

Title: Director

Date: February 10, 2014

SCHEDULE 4 C
PARTICIPATION AGREEMENT
RELATING TO DISTRIBUTION AGREEMENT
BETWEEN
SYMBOL TECHNOLOGIES, INC.
AND
SCANSOURCE, INC.

WHEREAS Symbol Technologies, Inc. , a wholly owned subsidiary of Motorola Solutions, Inc., (Referred to herein as “Motorola Solutions”) and ScanSource, Inc. are entering into a Distribution Agreement on an even date hereof (the “Agreement”), under which Distributor will purchase from Motorola Solutions the Products included in the Technology Segments designated by a checkmark on Schedule 3 of the Agreement; and

WHEREAS Certain Products included in the Technology Segments designated by the pertinent checkmark on Schedule 3 are generally sold by Psion, Inc., a Motorola Solutions Affiliate, and Psion, Inc. wishes to sell those Products (the “PA Products”) to Distributor pursuant to the terms of the Agreement by entering into the terms of this Participation Agreement with Distributor (“PA”);

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. Expressions used in this PA shall have the same meanings given to them in the Agreement, unless the context requires otherwise.
2. This PA automatically incorporates any future amendments to the Agreement and such amendments will be made part of this PA to the extent that the amendments do not conflict with this PA, unless otherwise agreed in writing by the parties to this PA.
3. By signing this PA Psion, Inc. hereby agrees to be bound by the terms of the Agreement as a party thereto for the sole purpose of selling the PA Products to Distributor. The parties agree that the purchase and sale of PA Products will be conducted in accordance with, and be subject to, the terms and conditions of the Agreement.
4. With the exception of the sales of the PA Products, Psion, Inc. does not assume any obligations (prior, current or future) of Motorola Solutions under the Agreement.
5. Except for the amendments contained herein, the terms of the Agreement shall remain in full force and effect in accordance with its terms.
6. In the event of conflict, the terms of this PA shall take precedence.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date below.

SYMBOL TECHNOLOGIES, INC.

By: /s/ Mike deVente

Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCAN SOURCE, INC.

By: /s/ Buck Baker

Name: Buck Baker

Title: Pres. Worldwide Barcode & Security

Date: February 10, 2014

PSION, INC.

By: /s/ Mike deVente

Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCHEDULE 5

Sales where the US Federal Government is the End User

1. For purposes of this Schedule and the Agreement, a “Federal Governmental Entity” is any department, agency, or instrumentality of the U.S. Federal Government. Sales made by Distributor to Resellers for further resale (directly or indirectly) to a US Federal Government Entity (“US Fed Gov Sales”) are subject to the terms of this Schedule. Distributor is prohibited from selling directly to Federal Governmental Entities.
2. Program Members purchasing from Distributor for US Fed Gov Sales must be authorized by Motorola Solutions to participate in the U.S. Federal Market Specialization (as indicated in the Distributor Download) and such Program Members must use a special US Federal Government ordering number to the extent such number is provided by Motorola to Distributor.
3. Program Members buying for US Fed Gov Sales may resell to other resellers who do not have to be members in the Program, provided such other resellers are either prime contractors to a Federal Government Entity or subcontractors between the Program Members and such prime contractors and provided they are approved in writing by Motorola for each particular US Fed Gov Sales opportunity (the “Three-Stepping Opportunities”). [*****]
4. Distributor cannot obligate Motorola Solutions as subcontractor or otherwise to any Federal Governmental Entity. If Distributor transacts such sales, it is solely and exclusively responsible for complying with all laws, regulations, and provisions governing sales to any Federal Government Entity.
5. On a case-by-case basis and at Motorola Solutions’ sole discretion, Motorola Solutions may, upon request from Distributor, provide a General Services Administration (GSA) Letter of Supply (“LoS”), or other contract vehicle supply authorization(s), to Resellers, for use in authorizing the addition of specified Products to their respective GSA or other identified Federal agency contracts (“Federal Contract Vehicles”). This LoS, or Federal Contract Vehicle can NOT be used by Distributor to support direct Federal sales by the Distributor under the Distributor’s GSA or Distributor’s other Federal Contracts Vehicles. The Federal Contract Vehicles supply authorization(s) will include Motorola Solutions’ commitments regarding delivery schedules and other related representations (e.g., Trade Agreements Act). These terms and representations will apply and can only be used for the authorized LoS transactions and cannot be used for non-LoS transactions.
6. Other than the representations made in the Motorola Solutions-provided GSA LoS, or other contract vehicle supply authorization(s), Motorola Solutions makes no representation or certifications with respect to the ability of its products, services, or prices to satisfy any laws, regulations, or provisions governing or relating to such US Fed Gov Sales, including, but not limited to, place of product origin, manufacture, and/or assembly (e.g., under the Buy American Act or Trade Agreements Act); contracting with small, minority, or diversity suppliers; payment of prevailing wages; or price guarantees and commitments. Motorola Solutions does represent that it complies with the U.S. Federal Acquisition Regulation (FAR) clauses and provisions listed in Section 13(a) herein.
7. For those Products containing Mesh technology Distributor agrees that it will not modify the Motorola Solutions hardware or software purchased for US Fed Gov Sales or design or adapt the

Products for military applications. The terms of Section 6 of the Agreement- Flow Down Requirements, will apply with respect to Distributor's obligation to advise Resellers of this restriction and the need to advise their respective Federal Government Entities thereof.

8. The terms and conditions of Section 6 - Flow Down Requirements, will apply with respect to Distributor's obligation to include the following language in its transactions with Resellers for further flow down to their respective End Users when Products are procured by such Resellers for use in the European Union (EU):

"All Products to be shipped under this order acknowledgement are intended for the sole and direct use by the US military, US Dept of State or other US Federal agencies, OR by military agencies of the EU country under a US Government FMS purchase, and no commercial or business usage of these Products are intended; as such the requirements of the EU RHHS regulations do not apply. Additionally, it is intended that the Products will not be resold within the EU, and any non-RoHS items will not be disposed of within the EU." Distributor will not accept any order without such statement.

9. When the Federal Government Entities are located outside the U.S. Distributor agrees to comply with the following additional export and product regulatory requirements:

(a) Distributor will effect or secure all necessary governmental permits, licenses and registrations required in connection with the execution or performance of any transaction contemplated under the Agreement and this Schedule, including the exportation from the U.S.A. or from the Products' FCA (Incoterms 2010) Motorola Solutions' regional distribution location, and the importation into and purchase and sale of the Products in the country where End User is located, and provide Motorola Solutions with copies thereof upon Motorola Solutions' request. Motorola agrees to provide such assistance to Distributor as reasonably needed in order to effect or secure such necessary governmental permits, licenses and registrations.

(b) Distributor recognizes and confirms that Products could only be deployed in countries that as of the date of deployment have all the necessary regulatory approvals.

Distributor will not purchase Products for deployment in locations that are not an approved (from a regulatory perspective or otherwise) geographical region for use of the Product being ordered, per Motorola Solutions product information provided in its electronic product ordering guide.

(c) If Distributor is requested to drop-ship Products in countries where regulatory approvals for such Products have not yet been obtained, Distributor shall obtain, at its own cost and in Motorola Solutions' name, any required regulatory approvals, governmental clearances, authorizations/test and development & site licenses and any other approval required prior to such deployments. Motorola agrees to provide such assistance to Distributor as reasonably required to effect or secure such necessary regulatory approvals.

(d) Without limiting the generality of the foregoing, where:

(i) Governmental agencies mandate the addition of labels, this shall be the responsibility of Distributor. Motorola agrees to provide such assistance to Distributor as reasonably required to effect the addition of such labels.

- (ii) Governmental agencies mandate the removal of any installed Product due to such Product not having the required regulatory approvals for use in the applicable locality on the date it was installed, this shall be the responsibility Distributor.

10. Software Licensing Provisions.

The following will apply with respect to US Fed Gov Sales notwithstanding anything to the contrary contained in the Agreement and in Schedule 7 End User License Agreement,

(a) The Software, Documentation and updates thereof are commercial items as that term is defined at 48 C.F.R. Part 2.101, consisting of “commercial computer software” and “computer software documentation” as such terms are defined in 48 C.F.R. Part 252.227-7014(a)(1) and 48 C.F.R. Part 252.227-7014(a)(5), and used in 48 C.F.R. Part 12.212 and 48 C.F.R. Part 227.7202, as applicable. Consistent with 48 C.F.R. Part 12.212, 48 C.F.R. Part 252.227-7015, 48 C.F.R. Part 227.7202-1 through 227.7202-4, 48 C.F.R. Part 52.227-19, and other relevant sections of the Code of Federal Regulations, as applicable, the Software, Documentation and Updates are distributed and licensed to U.S. Government end users (a) only as commercial items, and (b) with only those rights as are granted to all other end users pursuant to the terms and conditions contained herein.

(b) If Distributor is purchasing Products and licensing Software for end use by a Federal Government Entity, Distributor may transfer such Software license, but only if: (i) All copies of such Software and Documentation are transferred to such Federal Government Entity or interim transferee, and (ii) Distributor has first obtained from the transferee (if applicable) and ultimate End User an enforceable end user license agreement containing restrictions substantially identical to the ones contained in the Agreement including Schedule 7 and this Schedule. The terms and conditions of Section 6 - Flow Down Requirements, will apply with respect to Distributor’s obligation to include the language specified in Section 10 of this Schedule 5 in US Fed Gov Sales for further flow down to End Users. Except as stated in the foregoing, Distributor and any transferee(s) authorized by this Section may not otherwise use or transfer or make available any Software to any third party nor permit any party to do so.

11. In the event of a violation of law by Distributor or a suspension or debarment from federal business, Motorola Solutions may immediately terminate this Schedule and/or the Agreement.

12. The following clauses are contained as between Motorola Solutions and Distributor in any US Fed Gov Sale:

(a) **PACKAGING AND MARKING.** All packaging, packing and marking will be in accordance with Motorola solutions’ standard commercial practice.

(b) **Quality Assurance.** Motorola Solutions’ standard commercial quality assurance program will be utilized in the production and inspection of all Motorola Solutions’ equipment. Motorola Solutions does not commit to meet any specifications or standards except as stated in published specifications. **MOTOROLA SOLUTIONS WILL NOT PROVIDE CERTIFICATES OF CONFORMANCE.**

13. (a) The following clauses are incorporated by reference from the federal acquisition regulation (FAR) with the same force and effect as if they were given in full text.

- 52.203-13, Contractor Code of Business Ethics and Conduct (Apr 2010)
- 52.219-8, Utilization of Small Business Concerns (Jul 2013)
- 52.222-17, Nondisplacement of Qualified Workers (Jan 2013)
- 52.222-26, Equal Opportunity (Mar 2007)
- 52.222-35, Equal Opportunity for Veterans (Sep 2010)
- 52.222-36, Affirmative Action for Workers with Disabilities (Oct 2010)
- 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010)
- 52.222-41, Service Contract Act of 1965, (Nov 2007)
- 52.222-50, Combating Trafficking in Persons (Feb 2009)
- 52.222-51, Exemption from Application of the Service Contract Act to Contracts for Maintenance, Calibration, or Repair of Certain Equipment—Requirements (Nov 2007)
- 52.222-53, Exemption from Application of the Service Contract Act to Contracts for Certain Services—Requirements (Feb 2009)
- 52.222-54, Employment Eligibility Verification (Jul 2012).
- 52.225-26, Contractors Performing Private Security Functions Outside the United States (Jul 2013)
- 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations. (Mar 2009)
- 52.247-64, Preference for Privately-Owned U.S. Flag Commercial Vessels (Feb 2006)

- (b) No other FAR or FAR Supplement provisions, nor any other prime contract provisions, are accepted by Motorola Solutions, even if referenced in Distributor's purchase orders. Motorola Solutions does not represent that any ordered items necessarily meet new materials requirements. Motorola Solutions does not provide certified cost or pricing data or price support information in any of the transactions conducted hereunder.
- (c) As regards to Buy American Act provisions, Motorola Solutions is representing that the proposed equipment meets the definitions of a commercial item and information technology as defined in FAR 2.101, and therefore consistent with FAR rule FAR 25.103(e), acquisitions of information technology meeting the commercial item definition, and using fiscal year 2004 or subsequent funds are exempt from the Buy American Act and Balance of Payments. As regards to Trade Agreements, provisions, the proposed equipment should be considered to be foreign end products unless otherwise stated in writing by Motorola Solutions. For services, including installation services, maintenance services, repair services, training services, and other services, Motorola Solutions believes these clauses are inapplicable as any incidental parts which may be used in conjunction with these services are not considered end products.

SCHEDULE 6

CONFIDENTIALITY

1. Motorola Solutions and Distributor and their respective Affiliates may disclose and/or receive Confidential Information of each other in accordance with the Distributor Agreement to which this Agreement is appended as Schedule 6 (the “Distributor Agreement”) and therefore each Party and its Affiliates shall be considered “Recipient Party” and “Disclosing Party” for the purposes of this Agreement.
2. “Confidential Information” shall mean any confidential or proprietary data or information of either Party, consistent with Program participation by Distributor, and which is disclosed in any form (oral, written, graphic, machine readable and /or sample form) and on any media by the Disclosing Party to the Receiving Party, being clearly designated, labeled or marked as “confidential,” “proprietary” or their equivalent at the time of disclosure, or obtained by examination, testing or analysis of any hardware, software or any component part thereof provided by the Disclosing Party to the Receiving Party, or which by its very nature is confidential or proprietary, and shall include but is not limited to:
 - i) all information and documents furnished to the Recipient Party pursuant to the Distributor Agreement, including point of sale (sales out) information;
 - ii) application and registration information and all other information which pertain to the Program Elements and reference materials thereof;
 - iii) the content of the Distributor Agreement (including all Schedules, Appendices and Annexes thereto and references made therein);
 - iv) Products and their respective pricing and Discount information;
 - v) any information regarding Resellers and Customers, including but not limited to lists, contracts, requirements, billing histories, needs and products or services provided to the Customers;
 - vi) all financial information, including financial statements, earnings, operating results, sales data and projections and similar financial information;
 - vii) all plans and projections for business opportunities for new or developing business, and the business relationship of the Parties hereto; and
 - viii) other information designated in writing to be proprietary or confidential.

Confidential Information that is disclosed solely orally must be identified as “confidential” or “proprietary” (or their equivalent) at the time of disclosure and confirmed by the Disclosing Party submitting a written document to the Receiving Party within thirty (30) days after such disclosure. The written document must contain a summary of the Confidential Information disclosed with enough specificity for identification purpose and must be labeled or marked as confidential or its equivalent. Any report or other document produced by either Party arising from the exchange of information by the Parties shall also constitute Confidential Information and be regarded as proprietary and confidential.

3. During the term of the Distributor Agreement and for a period of three (3) years from the expiration or termination thereof, each Party will (i) not disclose Confidential Information to any third party (except as otherwise provided in this Agreement); (ii) restrict disclosure of Confidential Information to only those employees, agents or consultants who must be directly involved with the Confidential Information in connection with the furtherance of the Distributor Agreement and who are bound by confidentiality terms substantially similar to those in this Agreement; (iii) not reverse engineer, de-compile or disassemble any Confidential Information; (iv) use the same degree of care as for its own information of like importance, but at least use reasonable care, in safeguarding against disclosure of Confidential Information; (v) promptly notify Disclosing Party upon discovery of any unauthorized use or disclosure of the Confidential Information and take reasonable steps to regain possession of the Confidential Information and prevent further unauthorized actions or other breach of this Agreement; and (vi) not use of any Confidential Information except for the furtherance of the Parties' relationship under the Program and the Distributor Agreement and as otherwise expressly provided herein.
4. The Parties further agree that Confidential Information is and shall at all times remain the property of the Disclosing Party and no grant of any proprietary rights is hereby given or intended, including any license implied or otherwise. Within ten (10) days of receipt of Disclosing Party's written request, Receiving Party will return all Confidential Information to Disclosing Party along with all copies and portions thereof, or certify in writing that all such Confidential Information has been destroyed. However, Receiving Party may retain one (1) archival copy of the Confidential Information that it may use only in case of a dispute concerning the Distributor Agreement. No license, express or implied, in the Confidential Information is granted other than to use the Confidential Information in the manner and to the extent authorized by this Agreement. Disclosing Party warrants that it is authorized to disclose any Confidential Information it discloses pursuant to this Agreement. However, Disclosing Party makes no other representation or warranty of any kind with respect to the Confidential Information.
5. The Parties also agree that Motorola Solutions may disclose on the Web Site(s) and/or send to other Program participants and Program Members in support of the then current Program Elements, the following Confidential Information received from Distributor, including:
 - (i) Model of Distributor and the Track(s), Track Segment(s) and Markets it serves;
 - (ii) Contact details of Distributor (i.e. name, address, email and phone number);
 - (iii) Headquarters and/or Location(s) of Distributor;
 - (iv) Specific interest, business focus, and specialization of Distributor in Products, and Market(s);
 - (v) Special services offered by Distributor; and
 - (vi) Training and/or Certification status of Distributor and its personnel or former personnel in the Program, Tracks and Track Segments.

Additionally, Motorola Solutions may transmit data, including sales information and Motorola Solutions billing data to any of its Affiliates for the purposes of exercising its rights or performing its obligations under the Distributor Agreement or any other lawful purpose. Distributor agrees that Motorola Solutions may also share such data with third parties who are conducting surveys,

audits or performing channel related services for Motorola Solutions and with Motorola Solutions Affiliates or third parties and to the transfer thereof outside the Market under and subject to the confidentiality terms not less stringent than the provisions of this Confidentiality Agreement.

6. Notwithstanding anything to the contrary herein, the Receiving Party shall have no obligation to preserve the confidentiality of any information which:
 - i) is or becomes public knowledge through no wrongful act of the Receiving Party; or
 - ii) is already known to the Receiving Party without an obligation of confidentiality; or
 - iii) is rightfully obtained by the Receiving Party from any third party without similar restriction and without breach of any obligation owed to the Disclosing Party; or
 - iv) is independently developed by or for the Receiving Party without the use of any of the Disclosing Party's Confidential Information or any breach of this term; or
 - v) is furnished to a third party by the Disclosing Party without a similar restriction on the third party's rights; or
 - vi) is disclosed pursuant to a lawful requirement or request by a government agency; or
 - vii) is approved for release by written authorization of the Disclosing Party.
7. If a Receiving Party is required to disclose Confidential Information pursuant to applicable law, statute, or regulation, or court order, the Receiving Party will give to the Disclosing Party prompt written notice of the request and a reasonable opportunity to object to such disclosure or any part thereof and seek a protective order or appropriate remedy. If, in the absence of a protective order, the Receiving Party determines, upon the advice of counsel, that it is required to disclose such information, it may disclose only Confidential Information specifically required and only to the extent compelled to do so.
8. The Receiving Party will not transfer, directly or indirectly, any product, technical data or software furnished hereunder or the direct product of such technical data or software to any country for which the United States or any other applicable government requires an export license or other governmental approval without first obtaining such license or approval, and the provisions of Section 15 of the Distributor Agreement (Export Controls) shall apply with respect thereof.
9. Enforcement. Violation of this Confidentiality Agreement by the unauthorized use or disclosure of Confidential Information would cause irreparable damage to the Party whose Confidential Information is being used or disclosed. Therefore, in the event of such violation or threatened violation by one Party, the other Party will be entitled to seek injunctions, both preliminary as well as final, enjoining such behavior, in addition to all other remedies available to it in law or equity.
10. Unless otherwise noted herein, all capitalized terms used in this Schedule have the same meaning ascribed thereto in the Distributor Agreement.

11. This Agreement shall be governed and construed in accordance with the laws of the State of New York and the terms of Section 22 of the Distributor Agreement (Governing Law and Dispute Resolution) will apply with respect thereto.

End of Confidentiality Schedule

SCHEDULE 7

MOTOROLA SOLUTIONS END-USER SOFTWARE LICENSE AGREEMENT

This Motorola Solutions End-User Software License Agreement (“End-User License Agreement”) is between Motorola Solutions and Customer to whom Motorola Solutions’ proprietary software or Motorola Solutions Products containing embedded, pre-loaded, or installed software (“Products”) is made available. This End-User License Agreement contains the terms and conditions of the license Motorola Solutions is providing to Customer, and Customer’s use of the Software and Documentation.

SECTION 1 DEFINITIONS

“Customer” means the entity to which a license is granted under the terms and conditions of this End-User License Agreement.

“Documentation” means product and software documentation that specifies technical and performance features and capabilities, and the user, operation and training manuals for the Software (including all physical or electronic media upon which such information is provided).

“Open Source Software” means software with either freely obtainable source code license for modification, or permission for free distribution.

“Open Source Software License” means the terms or conditions under which the Open Source Software is licensed.

“Software” (i) means proprietary software in object code format, and adaptations, translations, decompilations, disassemblies, emulations, or derivative works of such software; (ii) means any modifications, enhancements, new versions and new releases of the software provided by Motorola Solutions; and (iii) may contain items of software owned by a third party supplier. The term “Software” does not include any third party software provided under separate license or third party software not licensable under the terms of this Agreement. To the extent, if any, that there is a separate license agreement packaged with, or provided electronically with, a particular Product that becomes effective on an act of acceptance by the end user, then that agreement supersedes this End-User License Agreement as to the end use of that particular Product.

SECTION 2 GRANT OF LICENSE

Subject to the provisions of this End-User License Agreement, Motorola Solutions grants to Customer a personal, limited, non transferable (except as provided in Section 4), and non-exclusive license under Motorola Solutions’ copyrights and confidential information embodied in the Software to use the Software, in object code form, and the Documentation solely in connection with Customer’s use of the Products. This End-User License Agreement does not grant any rights to source code.

If the Software licensed under this End-User License Agreement contains or is derived from Open Source Software, the terms and conditions governing the use of such Open Source Software are in the Open Source Software Licenses of the copyright owner and not this End-User License Agreement. If there is a conflict between the terms and conditions of this End-User License Agreement and the terms and conditions of the Open Source Software Licenses governing Customer’s use of the Open Source

Software, the terms and conditions of the license grant of the applicable Open Source Software Licenses will take precedence over the license grants in this End-User License Agreement. If requested by Customer, Motorola Solutions will use commercially reasonable efforts to: (i) determine whether any Open Source Software is provided under this End-User License Agreement; (ii) identify the Open Source Software and provide Customer a copy of the applicable Open Source Software License (or specify where that license may be found); and, (iii) provide Customer a copy of the Open Source Software source code, without charge, if it is publicly available (although distribution fees may be applicable).

SECTION 3 LIMITATIONS ON USE

Customer may use the Software only for Customer's internal business purposes and only in accordance with the Documentation. Any other use of the Software is strictly prohibited and will be deemed a breach of this End-User License Agreement. Without limiting the general nature of these restrictions, Customer will not make the Software available for use by third parties on a "time sharing," "application service provider," or "service bureau" basis or for any other similar commercial rental or sharing arrangement.

Customer will not, and will not allow or enable any third party to: (i) reverse engineer, disassemble, peel components, decompile, reprogram or otherwise reduce the Software or any portion to a human perceptible form or otherwise attempt to recreate the source code; (ii) modify, adapt, create derivative works of, or merge the Software with other software; (iii) copy, reproduce, distribute, lend, or lease the Software or Documentation to any third party, grant any sublicense or other rights in the Software or Documentation to any third party, or take any action that would cause the Software or Documentation to be placed in the public domain; (iv) remove, or in any way alter or obscure, any copyright notice or other notice of Motorola Solutions' proprietary rights; (v) provide, copy, transmit, disclose, divulge or make the Software or Documentation available to, or permit the use of the Software by any third party or on any machine except as expressly authorized by this Agreement; or (vi) use, or permit the use of, the Software in a manner that would result in the production of a copy of the Software solely by activating a machine containing the Software. Customer may make one copy of Software to be used solely for archival, back-up, or disaster recovery purposes; provided that Customer may not operate that copy of the Software at the same time as the original Software is being operated. Customer may make as many copies of the Documentation as it may reasonably require for the internal use of the Software.

Unless otherwise authorized by Motorola Solutions in writing, Customer will not, and will not enable or allow any third party to: (i) install a licensed copy of the Software on more than one unit of a Product; or (ii) copy onto or transfer Software installed in one unit of a Product onto another device.

If Customer is purchasing Products that require a site license, Customer must purchase a copy of the applicable Software for each site at which Customer uses such Software. Customer may make one additional copy for each computer owned or controlled by Customer at each such site. Customer may temporarily use the Software on portable or laptop computers at other sites. Customer must provide a written list of all sites where Customer uses or intends to use the Software.

SECTION 4 TRANSFERS

Customer will not transfer the Software or Documentation to any third party without Motorola Solutions' prior written consent. Motorola Solutions' consent may be withheld at its discretion and may be conditioned upon transferee paying all applicable license fees and agreeing to be bound by this End-User License Agreement.

SECTION 5 OWNERSHIP AND TITLE

Motorola Solutions, its licensors, and its suppliers retain all of their proprietary rights in any form in and to the Software and Documentation, including, but not limited to, all rights in patents, patent applications, inventions, copyrights, trademarks, trade secrets, trade names, and other proprietary rights in or relating to the Software and Documentation. No rights are granted to Customer under this Agreement by implication, estoppel or otherwise, except for those rights which are expressly granted to Customer in this End-User License Agreement. All intellectual property developed, originated, or prepared by Motorola Solutions in connection with providing the Software, Products, Documentation or related services remains vested exclusively in Motorola Solutions, and Customer will not have any shared development or other intellectual property rights.

SECTION 6 CONFIDENTIALITY

Customer acknowledges that the Software contains valuable proprietary information and trade secrets and that unauthorized dissemination, distribution, modification, reverse engineering, disassembly or other improper use of the Software will result in irreparable harm to Motorola Solutions for which monetary damages would be inadequate. Accordingly, Customer will limit access to the Software to those of its employees and agents who need to use the Software for Customer's internal business.

SECTION 7 MAINTENANCE AND SUPPORT

No maintenance or support is provided under this End-User License Agreement. Maintenance or support, if available, will be provided under a Motorola Solutions Software Maintenance and Support Agreement.

SECTION 8 LIMITED WARRANTY AND LIMITATION OF LIABILITY

Unless otherwise specified in the applicable warranty statement, the Documentation or in any other media at the time of shipment of the Software by Motorola Solutions, and for the warranty period specified therein, for the first 120 days after initial shipment of the Software to the Customer, Motorola Solutions warrants that the Software, when installed and/or used properly, will be free from reproducible defects that materially vary from its published specifications. Motorola Solutions does not warrant that Customer's use of the Software or the Products will be uninterrupted or error-free or that the Software or the Products will meet Customer's particular requirements.

MOTOROLA SOLUTIONS' TOTAL LIABILITY, AND CUSTOMER'S SOLE REMEDY, FOR ANY BREACH OF THIS WARRANTY WILL BE LIMITED TO, AT MOTOROLA SOLUTIONS' OPTION, REPAIR OR REPLACEMENT OF THE SOFTWARE OR PAYMENT OF CUSTOMER'S ACTUAL DAMAGES UP TO THE AMOUNT PAID TO MOTOROLA SOLUTIONS FOR THE SOFTWARE OR THE INDIVIDUAL PRODUCT IN WHICH THE SOFTWARE IS EMBEDDED OR FOR WHICH IT WAS PROVIDED. THIS WARRANTY EXTENDS ONLY TO THE FIRST CUSTOMER; SUBSEQUENT TRANSFEREES MUST ACCEPT THE SOFTWARE "AS IS" AND WITH NO WARRANTIES OF ANY KIND. MOTOROLA SOLUTIONS DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, AND FITNESS FOR A PARTICULAR PURPOSE.

IN NO EVENT WILL MOTOROLA SOLUTIONS BE LIABLE FOR SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING, BUT NOT LIMITED TO, LOSS OF USE, TIME OR DATA, INCONVENIENCE, COMMERCIAL LOSS, LOST PROFITS, OR SAVINGS, TO THE FULL EXTENT SUCH MAY BE DISCLAIMED BY LAW, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE LIMITATIONS IN THIS PARAGRAPH WILL APPLY NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

SECTION 9 TERM AND TERMINATION

Any use of the Software, including but not limited to use on the Products, will constitute Customer's agreement to this End-User License Agreement. Customer's right to use the Software will continue for the life of the Products with which or for which the Software and Documentation have been provided by Motorola Solutions, unless Customer breaches this End-User License Agreement, in which case this End-User License Agreement and Customer's right to use the Software and Documentation may be terminated immediately by Motorola Solutions. In addition, if Motorola Solutions reasonably believes that Customer intends to breach this End-User License Agreement Motorola Solutions may, by notice to Customer, terminate Customer's right to use the Software.

Upon termination, Motorola Solutions will be entitled to immediate injunctive relief without proving damages and, unless Customer is a sovereign government entity, Motorola Solutions will have the right to repossess all copies of the Software in Customer's possession. Within thirty (30) days after termination of Customer's right to use the Software, Customer must certify in writing to Motorola Solutions that all copies of such Software have been returned to Motorola Solutions or destroyed.

SECTION 10 UNITED STATES GOVERNMENT LICENSING PROVISIONS

This Section applies if Customer is the United States Government or a United States Government agency. Customer's use, duplication or disclosure of the Software and Documentation under Motorola Solutions' copyrights or trade secret rights is subject to the restrictions set forth in subparagraphs (c)(1) and (2) of the Commercial Computer Software-Restricted Rights clause at FAR 52.227-19 (JUNE 1987), if applicable, unless they are being provided to the Department of Defense. If the Software and Documentation are being provided to the Department of Defense, Customer's use, duplication, or disclosure of the Software and Documentation is subject to the restricted rights set forth in subparagraph (c)(1)(ii) of the Rights in Technical Data and Computer Software clause at DFARS 252.2277013 (OCT 1988), if applicable. The Software and Documentation may or may not include a Restricted Rights notice, or other notice referring to this End-User License Agreement. The provisions of this End-User License Agreement will continue to apply, but only to the extent that they are consistent with the rights provided to the Customer under the provisions of the FAR and DFARS mentioned above, as applicable to the particular procuring agency and procurement transaction.

SECTION 11 GENERAL

Copyright Notices. The existence of a copyright notice on the Software will not be construed as an admission or presumption that public disclosure of the Software or any trade secrets associated with the Software has occurred.

Compliance with Laws. Customer acknowledges that the Software is subject to the laws and regulations of the United States and Customer will comply with all applicable laws and regulations, including export laws and regulations of the United States. Customer will not, without the prior authorization of Motorola Solutions and the appropriate governmental authority of the United States, in any form export or re-export, sell or resell, ship or reship, or divert, through direct or indirect means, any item or technical data or direct or indirect products sold or otherwise furnished to any person within any territory for which the United States Government or any of its agencies at the time of the action, requires an export license or other governmental approval. Violation of this provision is a material breach of this Agreement.

Third Party Beneficiaries. This End-User License Agreement is entered into solely for the benefit of Motorola Solutions and Customer. No third party has the right to make any claim or assert any right under

this Agreement, and no third party is deemed a beneficiary of this End-User License Agreement. Notwithstanding the foregoing, any licensor or supplier of third party software included in the Software will be a direct and intended third party beneficiary of this End-User License Agreement.

Waiver. No waiver of a right or remedy of a party will constitute a waiver of another right or remedy of that party.

Assignments. Motorola Solutions may assign any of its rights or sub-contract any of its obligations under this End-User License Agreement or encumber or sell any of its rights in any Software, without prior notice to or consent of Customer.

Causes of Action. Customer must bring any action under this End-User License Agreement within one year after the cause of action arises except that warranty claims must be brought within the applicable warranty period.

Entire Agreement and Amendment. This End-User License Agreement contains the parties' entire agreement regarding Customer's use of the Software and may be amended only in a writing signed by both parties, except that Motorola Solutions may modify this End-User License Agreement as necessary to comply with applicable laws and regulations.

Governing Law. This End-User License Agreement is governed by the laws of the United States to the extent that they apply and otherwise by the internal substantive laws of the State to which the Software is shipped if Customer is a sovereign governmental entity, or the internal substantive laws of the State of Delaware if Customer is not a sovereign government entity. The terms of the U.N. Convention on Contracts for the International Sale of Goods do not apply. In the event that the Uniform Computer Information Transaction Act, any version of this Act, or a substantially similar law (collectively "UCITA") becomes applicable to a party's performance under this Agreement, UCITA does not govern any aspect of this End-User License Agreement or any license granted under this End-User License Agreement, or any of the parties' rights or obligations under this End-User License Agreement. The governing law will be that in effect prior to the applicability of UCITA.

Dispute Resolution. Unless Customer is a sovereign governmental entity, any dispute arising from or in connection with this End-User License Agreement shall be submitted to the sole and exclusive forum of the state and federal courts sitting in New Castle County, Delaware (the "Delaware Courts"), and each party irrevocably submits to the jurisdiction of the Delaware Courts for the litigation of such disputes. Each party hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding brought in the Delaware Courts, any claim or defense that the party is not subject to the jurisdiction of the Delaware Courts, that the Delaware Courts are an inconvenient forum, or that the Delaware Courts are an improper venue.

SCHEDULE 8

BUSINESS POLICY AND COMPLIANCE WITH LAW

1. Motorola has historically depended on product quality and superiority combined with outstanding support capability to sell its products in all parts of the world. Motorola believes it can continue to grow and to prosper without succumbing to legally questionable or unethical demands. Motorola will not do business with any channel partner, customer or any other person where they know or suspect the existence of questionable practices.
2. Distributor certifies that all information provided to Motorola in the process of becoming a Value Added Distributor in the Program was complete and accurate. Distributor further agrees that a material omission or misrepresentation of such information shall constitute just cause for the immediate termination of this Agreement without any liability whatsoever of Motorola to Distributor. Distributor will inform Motorola in writing of any material changes to such information (including any material change of its ownership or principals) and Motorola shall have the right to review Distributor's appointment as a Value Added Distributor in such event. Distributor agrees to furnish additional information, as requested by Motorola, as part of the renewal of the Agreement.
3. Distributor agrees that it will, at the request of Motorola, and at least annually, certify that it has not and, to its knowledge, no other person, including but not limited to, every employee of Distributor has made, offered to make or agreed to make any loan, gift, donation or other payment, directly or indirectly, whether in cash or in kind, to or for the benefit of any (i) governmental official or employee (including employees of government owned and government controlled corporations and public international organizations), or (ii) any political party, political party official or candidate in order to secure or retain business, or secure some other improper business advantage. Distributor further agrees that should it learn of, or have reason to know of any payment, offer or agreement to make such a loan, gift, donation or other payment, it will immediately advise Motorola of such knowledge or suspicion.
4. Distributor hereby acknowledges that it maintains the attached Business Ethics and Code of conduct policy and it hereby certifies that it will comply with the provisions thereof. Distributor agrees that any violation of law and/or violation of the provisions of Distributor's Business Ethics and Code of Conduct policy shall constitute just cause for the immediate termination of this Agreement without any liability whatsoever of Motorola to Distributor. Distributor agrees to cooperate fully in any investigation of Distributor's activities by any legal or regulatory body.
5. Distributor shall at all times conduct its efforts hereunder in strict accordance with all applicable laws and regulations and with the highest commercial standards. Distributor shall effect or secure and maintain at its own cost all necessary governmental permits, licenses, approvals and registrations required in connection with the execution or performance of this Agreement and the importation and resale of the Products.
6. Distributor shall not engage in any practice or activity with respect to any of the services and assistance rendered by Distributor under this Agreement which is prohibited or in violation of any applicable federal, state or local law in the United States or in the Territory, or which in the opinion of legal counsel to Motorola is illegal or in violation of any applicable federal, state, or local law in the United States or the Territory.
7. Distributor, including its officers, directors, employees and agents, shall use only legitimate and ethical business practices in the activities contemplated by this Agreement. Distributor shall comply fully

with all laws applying to the sale and distribution of the Products, including the United States Foreign Corrupt Practices Act, local anti-corruption laws and laws prohibiting the payment of commercial or private bribes. In connection with this Agreement, neither the Distributor nor any of its officers, directors, employees or agents shall pay, offer, promise, or authorize the payment, directly or indirectly, of any monies or anything of value to any person, including but not limited to any government official or employee, any political party or candidate for political office, or any employee or official of a public international organization, for the purpose of inducing or rewarding any favorable action or obtaining any improper advantage in any commercial transaction or in any governmental matter. Distributor further agrees to comply with all United States laws and regulations regarding export licenses or the control or regulation of exportation or re-exportation of products or technical data sold or supplied to Distributor. Both Motorola and Distributor further agree to take the required steps necessary to satisfy any laws or requirements to declare, file, record or otherwise render this Agreement valid. Distributor commits that to the knowledge of its Legal Department and without due inquiry, neither its owners, officers, nor employees are agents, employees, officers, or representatives of any government or any agency or other instrumentality of any government. Distributor further agrees to inform Motorola of any change in such status or representation.

SCHEDULE 8
Exhibit A

ScanSource, Inc. Code of Business Conduct

PARTNEREMPOWER AMERICAS DISTRIBUTION AGREEMENT
© 2014 Motorola Solutions, Inc. Proprietary and Confidential Page 57

SCHEDULE 9

OEM Distributor Addendum To Americas Distribution Agreement

[*****]

- Annex 1: Products and Pricing
- Annex 2: Authorized OEM customers
- Annex 3: Distributor Qualification Form
- Annex 4: OEM Support Services

This OEM Distributor Addendum (the “**Addendum**”) to the Agreement, between Symbol Technologies, Inc. and its subsidiaries (“**Symbol**”), its principal address at One Symbol Plaza, Holtsville, New York 11742-1300, and ScanSource, Inc. (“**OEM Distributor**”), having its principal address at 6 Logue Court, Greenville, South Carolina 29615 inclusive of all attached Annexes supplements the terms and conditions of the Agreement and sets forth the conditions by which OEM Distributor may purchase and remarket OEM Products to OEM Customers within the Territory.

1.0 Definitions All capitalized terms not defined in this Addendum shall have the same meaning given them in the Agreement. The following terms are used in this Addendum and shall mean the following:

- 1.1 “**Addendum**” shall mean this OEM Distributor Addendum to the Agreement.
- 1.2 “**Agreement**” shall mean the Americas Distribution Agreement of even date hereof.
- 1.3 “**OEM Distributor**” A Symbol partner authorized by Symbol to purchase and remarket the OEM Products within the Territory only to OEM Customers.
- 1.4 “**OEM Customer(s)**” The purchaser of the OEM Products who integrates the OEM Products into purchaser-branded hardware products and/or system (the “**Customer System**”) that the OEM Customer delivers (directly or indirectly) to an end user as a complete solution. The Customer System provides functionality beyond that of the OEM Product. A list of OEM Customers as of the date of execution of this Addendum is provided in Annex 2 which may be changed by Symbol from time to time.
- 1.5 “**Parties**” shall mean both Symbol and OEM Distributor and “**Party**” shall mean either Symbol or OEM Distributor.
- 1.6 “**Product Price**” The prices of the OEM Products as of the date of execution of this Addendum, are listed in Annex 1. Products Price may be changed by Symbol from time to time per the terms and conditions of Section 1 of Schedule 2 to the Agreement.
- 1.7 “**OEM Product(s)**” The Symbol hardware and software products offered for sale by Symbol under the terms of this Addendum and as of the date of execution of this Addendum are as set forth in Annex 1. OEM Products(s) may be changed by Symbol from time to time. The terms and conditions of Section 2 of Schedule 2 to the Agreement will apply with respect to discontinuance of OEM Products.

1.8 “**Symbol OEM Distributor Program**” OEM Distributor has met the requirements of the OEM Qualification Form and OEM Services attached hereto as Annex 3 and 4.

1.9 “**Territory**” The territory for this Addendum is as stated in the Agreement; however, [*****]

2.0 **Appointment.** Symbol appoints OEM Distributor and OEM Distributor accepts appointment as a reseller of the OEM Products, Symbol grants OEM Distributor a non-exclusive right to purchase OEM Products, at the Product Prices, for resale only to the OEM Customers listed in Annex 2 within the Territory. Symbol has the right to appoint other OEM Distributors and agents in the Territory and/or to make direct sales in the Territory, without any obligation to OEM Distributor and without OEM Distributor’s prior consent. Symbol reserves the right not to sell OEM Products to OEM Distributor that it determines cannot be adequately supported by OEM Distributor in the Territory.

3.0 **Duties of OEM Distributor.**

3.1 [*****]

3.2 OEM Distributor acknowledges that Symbol has issued and pending patents covering the OEM Products and their sale, and that this Addendum has been expressly requested by OEM Distributor from Symbol to enable OEM Distributor to sell the OEM Products only to the OEM Customers listed in Annex 2 within the Territory under a limited immunity from suit for infringement of the claims of Symbol’s patents.

3.3 Unless Annex 1 includes OEM Products identified as Track 3 Embedded Products or Track 2 Private Label Products (in which case additional terms and conditions will apply) OEM Distributor is only authorized to resell OEM Products, and not to incorporate OEM Products into OEM Distributor products or third party products.

3.4 The track level indicated on the first page of this Addendum indicates the capabilities the OEM Distributor possesses to offer the Services defined in Annex 4 to this Addendum.

4.0 **Modification of Agreement**

4.1 The following terms shall be applicable to the purchase and sale of OEM Products under this Addendum.

4.1.1 Standard OEM Products purchased under this OEM Addendum are eligible for stock rotation under Section 3.1 and 3.2 of the Schedule 2 of the Agreement. For purposes of this Addendum “Standard OEM Products” are OEM Products that have not been modified or customized to meet a specific OEM Customer requirement. Custom OEM Products are not subject to return. For the purpose of this Addendum “Custom OEM Products” are OEM Products purchased under this OEM Addendum that are modified to meet a specific OEM Customer requirement and are not ordinarily sold by Symbol in the modified form.

4.1.2 The purchase and sale of Standard OEM Products shall qualify as sales for the calculation of any Co-op Funds or rebate (or their equivalent) per the then-current OEM and/or rebate programs that are communicated by Symbol to the Distributor in writing. Custom OEM Products are not eligible for any Co-op Funds or rebate calculations.

5.0 The term of the Addendum shall coincide with the Agreement; however, either party may terminate this Addendum without liability to the other party by providing thirty (30) days prior written notice.

6.0 All other terms and conditions of the Agreement shall apply to the purchase and sale of the OEM Products hereunder.

IN WITNESS WHEREOF, the Parties have executed this Addendum on the date set forth opposite their names.

ScanSource, Inc.

By: /s/ Buck Baker

Name: Buck Baker

Title: Pres. Worldwide Barcode & Security

Date: February 10, 2014

Symbol Technologies, Inc.

By: /s/ Mike deVente

Name: Mike deVente

Title: Vice President

Date: February 12, 2014

SCHEDULE 9

ANNEX 1

OEM PRODUCTS & PRICES

[*****]

SCHEDULE 9

ANNEX 2

OEM Customers

[*****]

SCHEDULE 9

ANNEX 3

OEM Qualification Form

[*****]

SCHEDULE 9

ANNEX 4

OEM Distributor must:

1. Employ dedicated resources to provide support to OEM Customers for:
 - Pre-sales configuration
 - Order and delivery management
 - Post-sales technical support
2. Develop and maintain the following programs for OEM Customer support:
 - Dead-on-arrival with advanced exchange
 - Coordinate the Symbol Return Materials Authorizations (RMA) for warranty and service on behalf of the OEM
 - Demo equipment
3. On site configuration and integration capability including:
 - Private labeling
 - Software and firmware loading
 - Kitting
 - Bulk packing
 - Unit package development
 - Document editing and printing

SCHEDULE 10 — FLOW DOWN REQUIREMENTS

(TO BE POSTED ON DISTRIBUTOR WEBSITE PER SECTION 6 OF THE AGREEMENT)

ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL SALES OF MOTOROLA SOLUTIONS, INC. AND ITS AFFILIATES PRODUCTS AND SERVICES

Below are the Motorola Solutions, Inc. and its affiliates' ("Motorola") standard terms and conditions ("T&Cs") which are required to be flowed-down by ScanSource, Inc. and its affiliates ("SCSC") to resellers ("Resellers or "you") who buy Motorola products and services ("Products") from SCSC for further resale (directly or indirectly) to end user customers purchasing the Products for their own use and not for resale ("End Users"). You shall ensure the T&Cs are part of your (or of any authorized reseller to whom you sell for further resale to End Users) binding contracts with End Users covering the supply of Products.

1. Warranty (Hyperlink)

- Warranty Flow-Down Requirements and Motorola Standard Product Warranty

2. Services Terms and Conditions (Hyperlink)

- Motorola Sell-Through Terms and Conditions including Break/Fix and Professional Services Terms

3. MSI Software Redistribution Provisions (Hyperlink)

- Software Redistribution Requirements
- Motorola End User Software License Agreement (EULA)

4. Sales where the End User is a US Federal Government Entity (Hyperlink)

- "Three-Stepping" Opportunities
- Products containing MESH Technology
- Products purchased for use in countries that are part of the European Union (EU)
- Software Redistribution Requirements
- Motorola End User Software License Agreement (EULA)

1. WARRANTIES

WARRANTY FLOW-DOWN REQUIREMENTS AND MOTOROLA STANDARD PRODUCT WARRANTY

1. Each Product warranty is extended by Motorola to the customer of such Product who acquires the Product for its own use and not for resale (“End User”) and not to any reseller of the Product. Any such warranty is not assignable or transferable from the original End User to any later purchaser. You will provide the original End User with the appropriate product warranty and, if applicable, a software license and software warranty before the sale of the Products.

2. Products are warranted against defects in workmanship and material under the terms and for a period as defined by the Product specification data sheet furnished with each Product at shipment, and in the absence of such data sheet in accordance with the Standard Warranty Statements provided herein for the applicable Product(s), provided the Product remains unmodified and is operated under normal and proper conditions. Motorola may change its Standard Warranty Statements at any time by posting a notice on the Site of such change.

MOTOROLA DOES NOT EXTEND ANY WARRANTY TO RESELLERS. OTHER THAN WHAT IS STATED IN THE STANDARD WARRANTY STATEMENTS FOR THESE PRODUCTS, MOTOROLA MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

3. You may not issue any warranties, guarantees, or licenses that purport to obligate Motorola to any person or entity other than the applicable warranties or license specified herein and furnished for the Products by Motorola. To the extent that you make any warranty or representation to your customers or any other third party in respect of the Products which is not consistent with Motorola’s warranty, including without limitation the warranty duration, it is understood that such representation or warranty shall be made solely for your account and shall not bind Motorola. You shall indemnify and hold Motorola harmless from and against any claims, liabilities and expenses (including, but not limited to, attorney’s fees) asserted against, or incurred by, Motorola resulting from the making by you of any such representation or warranty and/or any other express or implied warranty you make.

4. THE LIMITED WARRANTY SPECIFIED HEREIN IS THE ONLY WARRANTY PROVIDED BY MOTOROLA, AND MOTOROLA AND ITS LICENSORS EXPRESSLY DISCLAIM ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. MOTOROLA DOES NOT WARRANT THAT THE OPERATION OF THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE PRODUCTS WILL BE CORRECTED. NO ORAL OR WRITTEN REPRESENTATIONS MADE BY MOTOROLA OR AN AGENT THEREOF SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF THIS WARRANTY. MOTOROLA DOES NOT WARRANT ANY PRODUCTS THAT HAVE BEEN OPERATED IN EXCESS OF SPECIFICATIONS, DAMAGED, MISUSED, NEGLECTED, OR IMPROPERLY INSTALLED.

IN NO EVENT SHALL MOTOROLA OR ANY OF THE LICENSORS, DIRECTORS, OFFICERS, EMPLOYEES OR AFFILIATES OF THE FOREGOING BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL OR SIMILAR DAMAGES WHATSOEVER, DAMAGES FOR

LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION AND THE LIKE, WHETHER FORESEEABLE OR UNFORESEEABLE, ARISING OUT OF THE USE OR INABILITY TO USE THE PRODUCTS OR ACCOMPANYING WRITTEN MATERIALS, REGARDLESS OF THE BASIS OF THE CLAIM AND EVEN IF MOTOROLA OR A MOTOROLA REPRESENTATIVE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THIS LIMITATION WILL NOT APPLY IN CASE OF PERSONAL INJURY ONLY WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY.

2. SERVICES TERMS AND CONDITIONS

MOTOROLA 'SELL-THROUGH' TERMS AND CONDITIONS INCLUDING BREAK/FIX AND PROFESSIONAL SERVICES TERMS

For purposes hereof the following terms will have the meaning assigned thereto herein:

“Break/Fix Services” means services that:

- i. Are performed or delivered on a device that has failed or been damaged to restore it to the defined specifications, either at a Motorola authorized repair center or at the End User location.
- ii. Provide preventive maintenance on a device before component or other failure, and/or
- iii. Provide full access to technical support resources and the right to use and copy entitled software releases, if any, for the products covered by a service agreement or warranty. Examples include, without limitation: Service from the Start, Service Center Bronze, Advance Exchange, Software Support, Flat Rate Repair and Time & Material (as described in the applicable SDDs).

“**Indirect Model**” shall mean when you procure the Sell Through Services from Authorized Distributor(s) for further resale to End Users, only on the Motorola Services Contract terms.

“**Motorola Services Contract**” means:

- a. Those Motorola’s terms and conditions provided herein under the title Break/Fix

Services, and when Other Services are purchased the terms and conditions provided herein under the title Professional Services Terms; and

- b. Motorola’s standard service description documents (“SDDs”) which define the scope of the Sell Through Services and the Subcontracted Services. Motorola may at its option amend the terms posted on the Site and the SDDs at any time without notice.

“**Other Services**” means any Services other than Break/Fix Services.

“**Sell Through Services**” shall mean the provision of Services by Motorola (or its outsourced resources) to End Users.

“**Subcontracted Services**” shall mean when you are subcontracting Motorola to perform the Services while maintaining the sole point of contact with the End Users.

4. Sell Through Services

- 4.1 The Master Terms and Conditions and the Reseller Community Addendum establish the terms under which you may procure Services from an Authorized Distributor for further resale to End Users.
- 4.2 (a) You agree that you will procure and offer the Sell Through Services only on the basis of the Indirect Model.
- (b) You acknowledge and agree that:
- (i) the Motorola Services Contract shall be the operative contract between you and End Users for the procurement and the supply (as applicable) of the Sell Through Services;
 - (ii) any agreement(s) it enters into with End User(s) for the provision of Sell Through Services will be on the basis of the Motorola Services Contract and Motorola will be an intended third party beneficiary to such agreement(s); and
 - (iii) in any order acknowledgment issued by you to indicate its acceptance of an End User's purchase order for Sell Through Services, you will state: "All purchases of these services are subject to Motorola terms and conditions posted at <http://www.motorolasolutions.com/staticfiles/Business/Documents/static%20files/SellThroughTermsNA.pdf>, or attached."
- (c) In the event you do not comply with the terms of sub section 4.2(b) above, and a claim is asserted or brought by an End User against Motorola which arises out of or is in any way connected to:
- (i) End User's assertion that the Motorola Services Contract does not regulate the supply of the Sell Through Services from Motorola to End User; or
 - (ii) End User's exertion of its contractual rights against Motorola where End User has not entered into the Motorola Services Contract with you and instead is relying upon different contractual terms (the "Services Claim"), you agree to defend Motorola in the Services Claim (at Motorola's request) and to indemnify and hold Motorola harmless from and against: any costs, settlement, service credits or similar losses due and/or payable as a result of the Services Claim; and/or any judgment awarding damages or other remedy against Motorola in the Services Claim.
5. Subcontracted Services. You agree that in the event Motorola provides Subcontracted Services the terms of the Motorola Services Contract will apply.

3. MOTOROLA SOFTWARE REDISTRIBUTION PROVISIONS

SOFTWARE REDISTRIBUTION REQUIREMENTS INCLUDING END USER LICENSE AGREEMENT (EULA)

1. A separate Motorola software license and software warranty may apply to certain Products and/or individual items of software. When you are advised by in writing that a Product specific software license and software warranty apply to Products that are purchased for resale, or relicensing, as the case may be,

you will be advised by your distributor of the procedures that must be taken in connection with the sale and/or licensing of such Products and/or Motorola software, such as a requirement that you and the ultimate End Users agree to the applicable Motorola software license agreement prior to delivery thereof to such End User. From time to time, Motorola may change such separate software licenses, warranties and procedures and you will receive prior written notice from the Distributor addressing such change. MOTOROLA DOES NOT EXTEND ANY SOFTWARE WARRANTY TO YOU AND ALL WARRANTIES EXPRESS OR IMPLIED ARE SPECIFICALLY EXCLUDED, INCLUDING, WITHOUT LIMITATION, THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

2. Title to software(s) in whole or in part, and all rights in patents, copyrights, trade secrets, and other intellectual properties in such software(s) are vested in, and shall remain vested in, Motorola or the third party that owns it.

3. Except for the right to use Products for the purposes provided herein which arises by operation of law, and except as expressly provided herein, nothing contained herein shall be deemed to grant to you or to the End Users purchasing from you either directly or by implication, estoppel, or otherwise, any license or right under any patents, copyrights, trademarks or trade secrets of Motorola or any third party.

4. **Software Redistribution License and End User Software License Agreement.**

Without prejudice to Sections 1-3 above, any software program or documentation delivered to you with any of the Products for resale shall be governed by the terms and conditions of Motorola's Software Redistribution License as set out in this Section 4.

4.1 As specified herein, Motorola will provide to you with Products that contain embedded, pre-loaded, or installed software. "**Software**," for the purposes of this Clause 4 means (i) proprietary software in object code format, and adaptations, translations, decompilations, disassemblies, emulations, or derivative works of such software; (ii) any modifications, enhancements, new versions and new releases of the software provided by Motorola Solutions; and (iii) may contain items of software owned by a third party supplier. The term "Software" does not include any third party software provided under separate license or third party software not licensable under the terms included herein. "**Documentation**," for the purposes of this Clause 4.1, means product and software documentation that specifies technical and performance features and capabilities, and the user, operation and training manuals for the Software (including all physical or electronic media upon which such information is provided).

4.2 **Software Redistribution License:** The Software Redistribution License as provided for in this Clause 4 sets out the terms and conditions of the license Motorola is providing to you, and your use of the Software and Documentation. Motorola hereby grants you a personal, non-assignable, non-transferable, non-exclusive license under Motorola's copyrights and confidential information embodied in the Software to use the Software, in object code form, and the Documentation for the sole and exclusive purpose of distributing such Software to End Users, as limited herein. There is no grant to any rights to source code. Any other use of the Software is strictly prohibited and will be deemed a breach of your agreement with your distributor.

4.3 You acknowledge Motorola's claim that the Products furnished hereunder contain valuable trade secrets of Motorola and therefore agree that you will not translate, reverse engineer, de-compile or disassemble, manufacture, modify, alter or make any other unauthorized use of such Products.

Additionally, you agree you will not make, have made, use or sell any Products in violation of Motorola's intellectual property rights.

4.4 End User Software License Agreement (EULA): You will include Motorola's End-User Software License Agreement provided herein all your transactions with End Users.

4. SALES WHERE THE END USER IS A US FEDERAL GOVERNMENT ENTITY

"THREE-STEPPING" OPPORTUNITIES REQUIREMENTS

1. For purposes hereof, a "Federal Governmental Entity" is any department, agency, or instrumentality of the U.S. Federal Government. Sales you make for further resale (directly or indirectly) to a US Federal Government Entity ("US Fed Gov Sales") are subject to the terms of Sections 1-4 below.
2. When buying for US Fed Gov Sales you may resell to other resellers for further sale to End Users, provided such other resellers are either prime contractors to a Federal Government Entity or subcontractors between you and such prime contractors and provided they are approved in writing by Motorola for each particular US Fed Gov Sales opportunity.

PRODUCTS CONTAINING MESH TECHNOLOGY

For those Products containing Mesh technology you agree not to modify the Motorola hardware or software purchased for US Fed Gov Sales or design or adapt the Products for military applications.

PRODUCTS PURCHASED FOR USE IN COUNTRIES THAT ARE PART OF THE EUROPEAN UNION (E1).

You will include the following language in any transactions with End Users when Products are procured by such End Users for use in the European Union (EU):

"All Products to be shipped under this order acknowledgement are intended for the sole and direct use by the US military, US Dept of State or other US Federal agencies, OR by military agencies of the EU country under a US Government FMS purchase, and no commercial or business usage of these Products are intended; as such the requirements of the EU RHHS regulations do not apply. Additionally, it is intended that the Products will not be resold within the EU, and any non-RoHS items will not be disposed of within the EU."

You will not accept any purchase order without such statement.

SOFTWARE REDISTRIBUTION REQUIREMENTS

The following will apply with respect to US Fed Gov Sales notwithstanding anything to the contrary contained in Section 3 (Motorola Software Redistribution Provisions) of these Additional Terms and Conditions.

- (a) The Software, Documentation and updates thereof are commercial items as that term is defined at 48 C.F.R. Part 2.101, consisting of "commercial computer software" and "computer software documentation" as such terms are defined in 48 C.F.R. Part 252.227-7014(a)(1) and 48 C.F.R. Part 252.227-7014(a)(5), and used in 48 C.F.R. Part 12.212 and 48 C.F.R. Part 227.7202,

PARTNEREMPOWER AMERICAS DISTRIBUTION AGREEMENT

as applicable. Consistent with 48 C.F.R. Part 12.212, 48 C.F.R. Part 252.227-7015, 48 C.F.R. Part 227.7202-1 through 227.7202-4, 48 C.F.R. Part 52.227-19, and other relevant sections of the Code of Federal Regulations, as applicable, the Software, Documentation and Updates are distributed and licensed to U.S. Government end users (a) only as commercial items, and (b) with only those rights as are granted to all other end users pursuant to the terms and conditions contained herein.

(b) If you are purchasing Products and licensing Software for end use by a Federal Government Entity, you may transfer such Software license, but only if: (i) All copies of such Software and Documentation are transferred to such Federal Government Entity or interim transferee, and (ii) you have first obtained from the transferee (if applicable) and ultimate End User an enforceable end user license agreement containing restrictions substantially identical to the ones contained in the EULA provided herein.

Except as stated in the foregoing, you and any transferee(s) authorized by this Section may not otherwise use or transfer or make available any Software to any third party nor permit any party to do so.

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE “CONFIDENTIAL INFORMATION”) HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [***].**

ZEBRA® PARTNERCONNECT PROGRAM

AMENDMENT TO PARTNEREMPOWER™ DISTRIBUTION AGREEMENT

THIS AMENDMENT (“Amendment”) is made on this 7th day of April, 2016 between:

Symbol Technologies, LLC. (formerly known as Symbol Technologies, Inc.), a corporation formed under Delaware law with an office at One Zebra Plaza Holtsville, NY 11742 (“**Symbol**”); and

Zebra Technologies do Brasil - Comércio de Produtos de Informática Ltda., a company incorporated and organized under the laws of Brazil, with offices at Av. Magalhães de Castro, 4800, sala 72-A, Cidade Jardim, CEP 05676-120, São Paulo, SP (“**Zebra Brazil**”)
(collectively “**Zebra**” or “**Zebra Technologies**”)

And

ScanSource, Inc., a company incorporated in South Carolina, with its registered office at 6 Logue Court, Greenville, South Carolina 29615 (“**ScanSource**”).
ScanSource Latin America, Inc. a ScanSource Affiliate incorporated in Florida, whose registered business address is 1935 NW 87 Avenue, Miami, Florida 33172 (“**ScanSource Latin America**”)

CDC Brazil Distribuidora de Tecnologias Especiais Ltda., a ScanSource Affiliate incorporated and organized under the laws of Brazil, with offices in the City of São José dos Pinhais, State of Paraná, at Avenida Rui Barbosa, 2529, Módulos 11 and 12, Bairro Jardim Ipê, CEP: 83055-320, enrolled with the Taxpayer Register (CNPJ/MF) under No. 05.607.657/0001-35 (“**ScanSource Brazil**”)

SCANSOURCE DE MEXICO S. DE R.L. DE C.V., a ScanSource Affiliate incorporated in Mexico, whose registered business address is Calle 4 No. 298, Colonia Francionamiento Industrial Alce Blanco, Naucalpan de Juarez, Estado de México 53370 (“**ScanSource Mexico**”)

(Collectively “**Distributor**”)

Zebra Technologies and the Distributor are referred to collectively as “Parties” and individually as a “Party”.

WHEREAS:

- (A) Symbol and ScanSource have entered on February 12, 2014 into a distribution agreement (as amended) which relates to Zebra Technologies Enterprise Visibility and Mobility (“EVM”) products and services, and which as acknowledged by the Parties by entering into this Amendment, is in full force and effect and valid as when this Amendment is executed (the "**Distribution Agreement**");
- (B) Motorola Solutions Ltda. was a party to Schedule 4A (Participation Agreement) of the Distribution Agreement, which covers the sale of Products and Services in Brazil (the "**Participation Agreement**");
- (C) The Participation Agreement was assigned from Motorola Solutions Ltda. to Zebra Brazil with an effective date of October 27, 2014 following the acquisition of Motorola Solutions’ Enterprise business by a Zebra Technologies Affiliate;
- (D) Following the integration of Zebra’s existing channel programs, the PartnerEmpower™ channel program is being discontinued and replaced by a new integrated channel program Zebra® PartnerConnect, which Zebra is going to launch on April 11, 2016 or at a later date to be solely determined and publicly announced by Zebra as the Program go-live date (the "**Effective Date**");
- (E) Distributor desires to be transitioned to the Program (as defined in section 1.1 below) with effect from the Effective Date, and Zebra has agreed to include Distributor in the Program.
- (F) The Parties wish to adapt the terms of the Distribution Agreement to create a suitable contractual framework within which to continue trading under the Program as related to Zebra EVM products and services only.
- (G) Zebra Technologies Asset Identification and Tracking (“AIT”) products and services, shall not be within the scope of the Distribution Agreement and this Amendment.

THEREFORE, in consideration of the mutual covenants and promises, and subject to the terms and conditions of the Distribution Agreement and this Amendment, Distributor and Zebra have agreed with the following amendments to the Distribution Agreement, which is renamed to **PartnerConnect EVM Distribution Agreement** (and herein the "**Agreement**") as of the Effective Date.

1.1 **Definitions.**

“**Program**” when used in the Agreement, shall mean the Zebra® PartnerConnect program including without limitation its requirements, benefits, terms and criteria, as amended from time to time by Zebra Technologies. Any reference to the PartnerEmpower™ program is deemed to be changed to the Zebra

PartnerConnect program. All “Motorola Solutions” references in the Agreement (including its Schedules and amendments) will be replaced with “Zebra” and all “Motorola Solutions, Ltda.” references in the Agreement (including its Schedules and amendments) will be replaced with “Zebra Brazil”.

“**Web Site(s)**” or “**Site**” when used in the Agreement, shall mean the Zebra business-to-business e-commerce web sites and other web portals including without limitations www.zebra.com, www.zebra.com/partnerconnect-tc or any equivalent website thereof. The www.motorolasolutions.com/partnerempoweradditionaltermsandconditions website and any documents posted thereon will not be valid for transactions conducted under the Agreement following the Effective Date.

- 1.2** **Warranty.** In Section 13 (“Warranty”) the reference to the Standard Warranty Statement posted at: www.motorolasolutions.com/partnerempoweradditionaltermsandconditions (the “Site”), will be replaced with the new Zebra Consolidated Global Limited warranty posted at www.zebra.com/partnerconnect-tc or any equivalent website thereof.
- 1.3** **End User License Agreement.** Since Zebra Technologies has revised its End User Software License Agreements, any reference to Motorola Solutions’ End-User Software License Agreement is replaced with the reference to the End User License Agreements posted at www.zebra.com/partnerconnect-tc or any equivalent website thereof.
- 1.4** **Purchase and Sale of Services.** The “Motorola Services Contract” governing the purchase and sale of services by Distributor shall be referred to as the “Zebra Services Contract” and will consist of the documents posted at www.zebra.com/partnerconnect-tc (or any equivalent website thereof) under Sale of Services (break/fix services and Other services/Professional Services Terms).
- 1.5** **Trademarks.** The provision entitled MOTOROLA SOLUTIONS TRADEMARKS AND SERVICE MARKS will be deleted in its entirety and replaced with the following:
- 1.5.1** Distributor acknowledges that ZEBRA, the stylized ZEBRA head, the Products and Services names, and the Zebra channel partner identifiers (collectively, the “Trademarks”) are trademarks or registered trademarks of Zebra and/or its Affiliates. As long as Distributor complies with the Program and this Agreement, Zebra and/or its Affiliates hereby authorizes and grants to Distributor a non-exclusive, non-transferrable, non-assignable, revocable license to use and display the Trademarks in promotional and advertising materials used by Distributor solely to promote the sale of Products and Services in the Territory. Distributor may only use those Trademarks that identify the Products and Services Distributor is authorized to sell.

1.5.2 Distributor shall comply with all guidelines regarding the use of the Trademarks published by Zebra on Zebra's website, or made available to Distributor upon written request. Zebra may revise such guidelines from time to time in its sole and absolute discretion by posting on the Program website. From time to time, Zebra may reasonably request, and Distributor shall provide, copies of materials bearing Trademarks for purposes of verifying their quality and compliance with Zebra's guidelines and the terms of this provision.

1.5.3 Distributor acknowledges and agrees that it has no right, title or interest in or to any of the Trademarks, and understands, accepts and agrees that its usage of the Trademarks, including all goodwill and any additional value created by such usage of the Trademarks, shall inure solely to the benefit of Zebra and/or its Affiliates. Without limiting the foregoing, Distributor hereby assigns to Zebra and/or its Affiliates all right, title and interest in the Trademarks, together with the goodwill attaching thereto, which may inure to Distributor in connection with the Program and this Agreement or from Distributor's use of the Trademarks hereunder. Nothing in this Agreement shall be construed as granting to Distributor any right, title or interest in or to the Trademarks other than the rights expressly granted hereby to use and display the Trademarks.

1.5.4 Distributor shall not (i) remove, alter or modify the Trademarks, or other trademarks, proprietary notices, labels, or other identifying marks placed by, or on behalf of, Zebra and/or its Affiliates on the Products or associated packaging, manuals or other associated materials; (ii) add its brand name, trademark or any other mark, label or proprietary notice to any Product without Zebra's express written authorization; (iii) use or incorporate any of the Trademarks or similar names or marks, or names or marks likely to cause confusion, or any limitation or variant of the foregoing, as part of any product or service name, any trade name under which Distributor conducts business, or any business name, or any domain name; (iv) create sub-brands under any of the Trademarks, or otherwise combine any of the Trademarks with any other text, trademark, trade name, domain name or other designation or origin; (v) attempt to register or cooperate in any effort by any third party to register anywhere in the world in connection with any products or services any Trademarks or any trademarks, service marks, domain names or trade names containing the Trademarks or that are similar to the Trademarks or likely to cause confusion with the Trademark; (vi) challenge or participate in any challenge of Zebra's and/or its Affiliates' rights in the Trademarks or the registration thereof; or (vii) do anything else inconsistent with Zebra's and/or its Affiliates' ownership of the Trademarks.

1.5.5 Distributor shall: (i) immediately discontinue any advertising, practice or use deemed by Zebra to have misleading, deceptive or detrimental effect; (ii) convey to Zebra and/or its Affiliates any domain names which Distributor owns or controls that incorporate any of the Trademarks; and (iii) provide any assistance and cooperation as may be reasonably requested by Zebra and/or its Affiliates, including without limitation, execution of documents to protect Zebra's and/or its Affiliates' trademark rights.

1.5.6 Distributor hereby authorizes and grants to Zebra and/or its Affiliates a non-exclusive, revocable license to use and display Distributor's trade names, trademarks and logos in presentations and on the Website for the sole purpose of identifying Zebra's relationship with Distributor.

1.5.7. Distributor's rights to use any Trademark under this Section shall cease upon termination of Distributor's participation in the Program or as Zebra otherwise notifies Distributor. Since unauthorized use of intellectual property would greatly diminish the value of this property and cause Zebra and/or its Affiliates irreparable harm, Distributor acknowledges that Zebra and/or its Affiliates will be entitled - in

addition to any other remedies they may have - to seek equitable relief to protect their respective intellectual property rights, including, without limitation, temporary and permanent injunctive relief without proof of damage.

1.6 Distributor Upfront Discounts Off List Price and Payment Terms.

1.6.1 Distributor's Upfront discounts off list price will no longer be contained in Annex 2 to Schedule 2 and in Annex 1 to Schedule 4A of the Agreement and these Annexes are hereby deleted in their entirety. [*****]

1.6.2 Payment Terms for Latin America

Notwithstanding anything to the contrary contained in the Agreement and the Participation Agreement of even date hereof between the parties to this Amendment and SCANSOURCE DE MEXICO S. DE R.L. DE C.V., unless otherwise agreed to in writing by Zebra, all payments (including for services) are strictly net and shall be due in full, in a Zebra bank account on or before: [*****]

1.7 Term and Termination. This Amendment may be terminated at any time by either Party in accordance with the termination provisions contained in the Agreement. The Amendment shall not have an Initial Period.

1.8 Governing Law and Dispute Resolutions. The terms of the Governing Law and Dispute Resolution provisions of the Agreement will apply to this Amendment.

1.9 Flow Down Provisions. The Flow Down Requirements posted on Distributor website in accordance with Section 6 of the Agreement will be replaced with the requirements included in Attachment 1 to this Amendment.

2.0 Notices. The paragraphs included in section 8.1 of the Participation Agreement to indicate Zebra Brazil's addresses to receive notices under the Participation Agreement are hereby replaced with the following paragraphs:

If to Zebra Technologies:

Zebra Technologies International, LLC
3 Overlook Point, Lincolnshire, Illinois 60069
Attention: Vice President, NA Channel Sales
Telephone: (847) 793-2765

Facsimile: (847) 353 2966

With a copy to:

Zebra Technologies Corporation
3 Overlook Point, Lincolnshire Illinois 60069
Attention: Law Department

If to Zebra Brazil:

Zebra Technologies do Brasil - Comércio de Produtos de Informática Ltda
Attention: Departamento Legal
Av. Magalhães de Castro, 4800, sala 72-A
Cidade Jardim, São Paulo, SP
CEP 05676-120

With copy to:

Zebra Technologies do Brasil - Comércio de Produtos de Informática Ltda
Attention: Legal Department
3100 SW 145th Avenue Suite 340
Miramar, FL 33027
United States

2.1 General.

2.1.1 Except as specifically stated in the Amendment, the terms of the Agreement are in all other aspects ratified, confirmed, and shall continue in full force and effect under the new agreement name '**PartnerConnect EVM Distribution Agreement**'.

2.1.2 The definitions used herein shall have the meaning assign thereto in the Agreement, unless otherwise expressly stated herein.

2.1.3 In the event that there is a conflict in the interpretation of any provision in the Agreement with anything in this Amendment, the terms of this Amendment shall prevail.

2.2 **Signature Counterparts.** This Amendment and any further amendments or addenda to the Agreement, may be executed in two or more of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. A facsimile copy or computer image, such as a PDF or tiff image, of a signature shall be treated as and shall have the same effect as an original signature. In addition, a true and correct facsimile copy or computer image of this Amendment and any further amendment or addenda to the Agreement shall be treated as and shall have the same effect as an original signed copy of such document.

2.3 The Named End-User Accounts Excluded from Distributor in Latin America and the Caribbean

As listed in Section 4 of Schedule 1 of the Agreement are hereby removed entirely. Effective on the Effective Date, Distributor will no longer have the obligation of refraining from selling Products to resellers attempting to resell them to the end users listed in such section.

2.4 PartnerConnect Channel Program Changes. Nothing contained in Zebra’s PartnerConnect Channel Program shall modify, without Distributor’s prior written consent, the following terms of the Agreement as may have been amended in relevant part: Section 8 - Terms and Conditions of Sale.

IN WITNESS HEREOF, the parties have executed this Amendment under hand on the date first above written.

SYMBOL TECHNOLOGIES, LLC. SCANSOURCE, INC.

By: /s/ Thomas E. Sheahen By: /s/ Buck Baker
Name: Thomas E. Sheahen Name: Buck Baker
Title: VP NA Channel Sales Title: WW President, Barcode/Security
Date: 4/25/16 Date: 7 Apr. 2016

**ZEBRA TECHNOLOGIES DO BRASIL CDC BRASIL DISTRIBUIDORA DE
- COMÉRCIO DE PRODUTOS DE TECNOLOGIAS ESPECIAIS LTDA.
INFORMÁTICA LTDA.**

By: /s/ [illegible] By: /s/ Gerald Lyons
Name: [illegible] Name: Gerald Lyons
Title: Director Title: Board of Advisors
Date: 12/4/15 Date: 12/4/16

SCANSOURCE LATIN AMERICA, INC SCANSOURCE DE MEXICO S. DE R.L. DE C.V.

By: /s/ Gerald Lyons By: /s/ Gerald Lyons
Name: Gerald Lyons Name: Gerald Lyons
Title: Director Title: Board of Managers
Date: 12/4/16 Date: 12/4/16

**ATTACHMENT 1 - FLOW DOWN REQUIREMENTS
(TO BE POSTED ON DISTRIBUTOR WEBSITE PER SECTION 6 OF THE AGREEMENT)
ADDITIONAL TERMS AND CONDITIONS APPLICABLE TO ALL SALES OF ZEBRA TECHNOLOGIES CORPORATION OR ANY OF ITS
SUBSIDIARIES' PRODUCTS AND SERVICES**

Below are the Zebra Technologies Corporation and its subsidiaries' ("**Zebra**") standard terms and conditions ("**T&Cs**") which are required to be flowed-down by ScanSource, Inc. and its affiliates ("**SCSC**") to resellers ("Resellers or "you") who buy Zebra products and services that are part of Zebra's Enterprise Visibility and Mobility ("**EVM**") business ("**Products**") from SCSC for further resale (directly or indirectly) to end user customers purchasing the Products for their own use and not for resale ("**End Users**"). You shall ensure the T&Cs are part of your (or of any authorized reseller to whom you sell for further resale to End Users) binding contracts with End Users covering the supply of Products.

1. Warranty (Hyperlink)

- Warranty Flow-Down Requirements and Zebra Standard Product Warranty

2. Services Terms and Conditions (Hyperlink)

- Zebra Sell-Through Terms and Conditions including Break/Fix and Professional Services Terms

3. Zebra Software Redistribution Provisions (Hyperlink)

- Software Redistribution Requirements
- Zebra End User Software License Agreements (EULAs)

4. Sales where the End User is a US Federal Government Entity (Hyperlink)

1. WARRANTIES, WARRANTY FLOW-DOWN REQUIREMENTS AND ZEBRA STANDARD PRODUCT WARRANTY

1.1 Each Product warranty is extended by Zebra to the customer of such Product who acquires the Product for its own use and not for resale ("End User") and not to any reseller of the Product. Any such warranty is not assignable or transferable from the original End User to any later purchaser. You will provide the original End User with the appropriate product warranty and, if applicable, a software license and software warranty before the sale of the Products.

1.2 Products are warranted against defects in workmanship and material under the terms and for a period as defined by the Product specification data sheet furnished with each Product at shipment, and in the absence of such data

sheet in accordance with the then current **Zebra Consolidated Global Limited Warranty** posted on www.zebra.com/partnerconnect-tc, (or any equivalent website thereof) for the applicable Product(s), provided the Product remains unmodified and is operated under normal and proper conditions. The current version of the Zebra Consolidated Global Limited Warranty is provided herein.

1.3 You may not issue any warranties, guarantees, or licenses that purport to obligate Zebra to any person or entity other than the applicable warranties or license specified herein and furnished for the Products by Zebra. To the extent that you make any warranty or representation to your customers or any other third party in respect of the Products which is not consistent with Zebra's warranty, including without limitation the warranty duration, it is understood that such representation or warranty shall be made solely for your account and shall not bind Zebra. You shall indemnify and hold Zebra harmless from and against any claims, liabilities and expenses (including, but not limited to, attorney's fees) asserted against, or incurred by, Zebra resulting from the making by you of any such representation or warranty and/or any other express or implied warranty you make.

1.4 THE ZEBRA CONSOLIDATED GLOBAL WARRANTY ATTACHED HEREIN IS THE ONLY WARRANTY PROVIDED BY ZEBRA, AND ZEBRA AND ITS LICENSORS EXPRESSLY DISCLAIM ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE AND NONINFRINGEMENT. ZEBRA DOES NOT WARRANT THAT THE OPERATION OF THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT DEFECTS IN THE PRODUCTS WILL BE CORRECTED. NO ORAL OR WRITTEN REPRESENTATIONS MADE BY ZEBRA OR AN AGENT THEREOF SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF THIS WARRANTY. ZEBRA DOES NOT WARRANT ANY PRODUCTS THAT HAVE BEEN OPERATED IN EXCESS OF SPECIFICATIONS, DAMAGED, MISUSED, NEGLECTED, OR IMPROPERLY INSTALLED.

IN NO EVENT SHALL ZEBRA OR ANY OF THE LICENSORS, DIRECTORS, OFFICERS, EMPLOYEES OR AFFILIATES OF THE FOREGOING BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, SPECIAL OR SIMILAR DAMAGES WHATSOEVER, DAMAGES FOR LOSS OF BUSINESS PROFITS, BUSINESS INTERRUPTION, LOSS OF BUSINESS INFORMATION AND THE LIKE, WHETHER FORESEEABLE OR UNFORESEEABLE, ARISING OUT OF THE USE OR INABILITY TO USE THE PRODUCTS OR ACCOMPANYING WRITTEN MATERIALS, REGARDLESS OF THE BASIS OF THE CLAIM AND EVEN IF ZEBRA OR A ZEBRA REPRESENTATIVE HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGE. THIS LIMITATION WILL NOT APPLY IN CASE OF PERSONAL INJURY ONLY WHERE AND TO THE EXTENT THAT APPLICABLE LAW REQUIRES SUCH LIABILITY.

2. SERVICES TERMS AND CONDITIONS ZEBRA 'SELL-THROUGH' TERMS AND CONDITIONS INCLUDING BREAK/FIX AND PROFESSIONAL SERVICES TERMS

2.1. Terms:

For purposes hereof the following terms will have the meaning assigned thereto herein:

“Break/Fix Services” means services that:

- i. Are performed or delivered on a device that has failed or been damaged to restore it to the defined specifications, either at a Zebra authorized repair center or at the End User location.
- ii. Provide preventive maintenance on a device before component or other failure, and/or

iii. Provide full access to technical support resources and the right to use and copy entitled software releases, if any, for the products covered by a service agreement or warranty. Examples include, without limitation: Service from the Start, Service Center Bronze, Advance Exchange, Software Support, Flat Rate Repair and Time & Material (as described in the applicable SDDs).

“Indirect Model” shall mean when you procure the Sell Through Services from Authorized Distributor(s) for further resale to End Users, only on the Zebra Services Contract terms.

“Other Services” means any Services other than Break/Fix Services.

“Sell Through Services” shall mean the provision of Services by Zebra (or its outsourced resources) to End Users.

“Services” shall mean the services delivered by Zebra or its designee.

“Subcontracted Services” shall mean when you are subcontracting Zebra to perform the Services while maintaining the sole point of contact with the End Users.

“Zebra Services Contract” means:

a. Those Zebra’s terms and conditions posted at www.zebra.com/partnerconnect-tc, or any equivalent website thereof, under the title Break/Fix Services, and when Other Services are purchased under the title Professional Services Terms (the current versions provided herein) ; and

b. Zebra’s standard service description documents (“SDDs”) which define the scope of the Sell Through Services and the Subcontracted Services. Zebra may at its option amend the terms posted on this website and the SDDs at any time without notice.

2.2. **Sell Through Services**

2.2.1 Your agreement with SCSC establishes the terms under which you may procure Services from SCSC for further resale to End Users.

2.2.2

(a) You agree that you will procure and offer the Sell Through Services only on the basis of the Indirect Model.

(b) You acknowledge and agree that:

(i) the Zebra Services Contract shall be the operative contract between you and End Users for the procurement and the supply (as applicable) of the Sell Through Services;

(ii) any agreement(s) it enters into with End User(s) for the provision of Sell Through Services will be on the basis of the Zebra Services Contract and Zebra will be an intended third party beneficiary to such agreement(s); and in any order acknowledgment issued by you to indicate its acceptance of an End User’s purchase order for Sell Through Services, you will state: “All purchases of these services are subject to Zebra terms and conditions posted at www.zebra.com/partnerconnect-tc, or any equivalent website thereof, or attached.”

(c) In the event you do not comply with the terms of sub section 2.2.2(b) above, and a claim is asserted or brought by an End User against Zebra which arises out of or is in any way connected to:

- (i) End User's assertion that the Zebra Services Contract does not regulate the supply of the Sell Through Services from Zebra to End User; or
- (ii) End User's exertion of its contractual rights against Zebra where End User has not entered into the Zebra Services Contract with you and instead is relying upon different contractual terms (the "Services Claim"), you agree to defend Zebra in the Services Claim (at Zebra's request) and to indemnify and hold Zebra harmless from and against: any costs, settlement, service credits or similar losses due and/or payable as a result of the Services Claim; and/or any judgment awarding damages or other remedy against Zebra in the Services Claim.

2.2.3 Subcontracted Services. You agree that in the event Zebra provides Subcontracted Services the terms of the Zebra Services Contract will apply.

3. ZEBRA SOFTWARE REDISTRIBUTION PROVISIONS SOFTWARE REDISTRIBUTION REQUIREMENTS INCLUDING END USER LICENSE AGREEMENTS (EULAs).

3.1. Zebra Software.

3.1.1. The Products contain embedded, pre-loaded, or installed Software. "**Software**" means: (i) Zebra proprietary software in object code format, and adaptations, translations, decompilations, disassemblies, emulations, or derivative works of such software; and (ii) any corrections, fixes, modifications, enhancements, new versions and new releases of the software provided by Zebra; "**Documentation**" means product and software documentation that specifies technical and performance features and capabilities, together with all materials, knowledge and source code related thereto and the user, operation and training manuals for the Software (including all physical or electronic media upon which such information is provided or derivative works of the foregoing).

3.1.2 You acknowledge and agree that the Software and Documentation constitute valuable trade secrets and the confidential and proprietary property of Zebra. You shall not disclose to any third party (including End Users), or permit access to any third party to the Software or the Documentation, or to any portion thereof, except to the extent such access is permitted under an applicable valid, enforceable and written End User License Agreement as specified in Section 3.1.3 below ("EULA") and either entitlement under a valid Zebra warranty or a Zebra support agreement. When you are advised that a specific software license, a specific warranty or a specific support terms apply, you will follow the procedures in connection with the distribution and/or licensing of the applicable Products and will obtain End User agreement to the applicable Zebra software license and support agreement(s) prior to delivery thereof to such End User. You shall not, nor will you permit a third party to, reverse engineer, translate, decompile, disassemble, decode or use any Software or Documentation except as may be permitted under the above agreements or as permitted under applicable law. Title to all Software and Documentation and all rights in patents, copyrights, trade secrets, and other intellectual property rights therein, are and shall remain vested in, Zebra, its licensors and suppliers. There is no grant to any rights in source code. You shall not: (i) modify, merge, or incorporate any form or portion of the Software or the Documentation with other program material or create a derivative work therefrom; or (ii) keep any copies of Software or Documentation after they have been provided to the End User. You agree to maintain Zebra's copyright notice on the Software and Documentation, and to include the same on any authorized copies you make, in whole or in part. Should any government customer indicate to you, formally or informally, that said customer believes it has greater rights in Software or Documentation than Zebra grants under an applicable EULA, you will notify Zebra immediately. Except as provided herein, these T&Cs shall not be deemed to grant to you or to End Users either directly or by implication, estoppel, or otherwise, any license or right under any patents, copyrights, trademarks or trade secrets of Zebra or any third party.

3.1.3 End User Software License Agreements (EULAs): You will include the Zebra’s End-User Software License Agreements available on www.zebra.com/partnerconnect-tc or any equivalent website thereof, with the current version provided herein, in all your transactions with End Users involving Software and Documentation.

4. Transactions with Government.

All transactions with any government, governmental or regulatory entity or body, department, commission, board, agency or instrumentality of the United States of America and of any state, local or regional division thereof (hereinafter a “US Governmental Authority”) or any transaction in which a US Governmental Authority is the End User or is directly or indirectly providing funds for the transaction, whether through a prime contract or a subcontract thereunder or a grant or other transaction, shall be subject to the additional terms and conditions contained in the Transaction with Government, Sales to Government Attachment, posted at www.zebra.com/partnerconnect-tc or any equivalent website thereof, with the current version provided herein.

IN ACCORDANCE WITH ITEM 601(b) OF REGULATION S-K, CERTAIN IDENTIFIED INFORMATION (THE “CONFIDENTIAL INFORMATION”) HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED. THE CONFIDENTIAL INFORMATION IS DENOTED HEREIN BY [*****].

ZEBRA® PARTNERCONNECT PROGRAM

AMENDMENT TO PARTNERCONNECT™ EVM DISTRIBUTION AGREEMENT

THIS AMENDMENT ("Amendment") is entered between:

Symbol Technologies, LLC. (formerly known as Symbol Technologies, Inc.), a corporation formed under Delaware law with an office at One Zebra Plaza Holtsville, NY 11742 ("**Symbol**"); and

Zebra Technologies International, LLC, with an office at 3 Overlook Point, Lincolnshire IL 60069 ("**ZTI**")

Zebra Technologies do Brasil - Comércio de Produtos de Informática Ltda., a company incorporated and organized under the laws of Brazil, with offices at Av. Magalhães de Castro, 4800, sala 72-A, Cidade Jardim, CEP 05676-120, São Paulo, SP ("**Zebra Brazil**") (collectively "**Zebra**")

And

ScanSource, Inc., a company incorporated in South Carolina, with its registered office at 6 Logue Court, Greenville, South Carolina 29615 ("**ScanSource**").

ScanSource Latin America, Inc. a ScanSource Affiliate incorporated in Florida, whose registered business address is 1935 NW 87 Avenue, Miami, Florida 33172 ("**ScanSource Latin America**")

CDC Brazil Distribuidora de Tecnologias Especiais Ltda., a ScanSource Affiliate incorporated and organized under the laws of Brazil, with offices in the City of São José dos Pinhais, State of Paraná, at Avenida Rui Barbosa, 2529, Módulos 11 and 12, Bairro Jardim Ipê, CEP: 83055-320, enrolled with the Taxpayer Register (CNPJ/MF) under No. 05.607.657/0001-35 ("**ScanSource Brazil**")

SCANSOURCE DE MEXICO S. DE R.L. DE C.V., a ScanSource Affiliate incorporated in Mexico, whose registered business address is Calle 4 No. 298, Colonia Franccionamiento Industrial Alce Blanco, Naucalpan de Juarez, Estado de México 53370 ("**ScanSource Mexico**")

(Collectively "**Distributor**")

"**Zebra**" and the "**Distributor**" are referred to collectively as "**Parties**" and individually as a "**Party**".

Amendment to EVM PartnerConnect™ Zebra- ScanSource Distribution Agreement

©2017 ZIH Corp and / or its Affiliates. All rights reserved. Proprietary and Confidential.

Rev. January 2017

WHEREAS:

- (A) The Parties entered on February 12, 2014 into an agreement that was renamed, as of April 11, 2016, to: PartnerConnect™ EVM Distribution Agreement, (as amended) (“Distribution Agreement”), which relates to Zebra Enterprise Visibility and Mobility (“EVM”) products and services, and which, as acknowledged by the Parties by entering into this Amendment, is in full force and effect and valid as when this Amendment is executed;
- (B) With the integration of Zebra’s existing channel programs into the Zebra PartnerConnect Program, Zebra has aligned certain core systems, tools and processes, and in order to provide a simplified, unified experience to Distributor, certain terms included in the Distribution Agreement must be amended as of May 1, 2017 or at a later date to be solely determined and communicated to Distributor by Zebra (the “**Effective Date**”);
- (C) Zebra’s Asset Identification and Tracking (“AIT”) products and services, shall continue not to be within the scope of the Distribution Agreement and shall not be within the scope of this Amendment.

THEREFORE, in consideration of the mutual covenants and promises, and subject to the terms and conditions of the Distribution Agreement and this Amendment, the Parties have agreed with the following amendments to the Distribution Agreement as of the Effective Date.

1. Unless otherwise noted herein, all terms not herein defined shall have the meanings ascribed thereto in the Distribution Agreement. Except as expressly set forth herein, the terms and conditions of the Distribution Agreement shall remain in full force and effect provided, however, that in the event of any conflict between the provisions set forth in this Amendment and those in the Distribution Agreement, the provisions in this Amendment shall prevail.
2. Effective on the Effective Date, Symbol assigns all of its rights and obligations under the Distribution Agreement to ZTI, an Affiliate thereof and ScanSource Brazil assigns all of its rights and obligations under the Distribution Agreement to ScanSource Brasil Distribuidora De Tecnologias Ltda.

3. By executing this Amendment and effective as of the Effective Date: (i) Symbol agrees to assign all of its rights and obligations under the Distribution Agreement to ZTI; (ii) ZTI agrees to become a Party to the Distribution Agreement and to this Amendment and to be bound by the obligations of Symbol thereunder; and (iii) Distributor expresses its consent to the assignment by Symbol of all of its rights and obligations under the Distribution Agreement to ZTI. Likewise, by executing this Amendment and effective as of the Effective Date: (i) ScanSource Brazil agrees to assign all of its rights and obligations under the Distribution Agreement to ScanSource Brasil Distribuidora De Tecnologias Ltda; (ii) ScanSource Brasil Distribuidora De Tecnologias Ltda agrees to become a Party to the Distribution Agreement and to this Amendment and to be bound by the obligations of ScanSource Brazil thereunder; and (iii) Symbol and ZTI express their consent to the assignment by ScanSource Brazil of all of its rights and obligations under the Distribution Agreement to ScanSource Brasil Distribuidora De Tecnologias Ltda.
4. **Transactions with Government.** Notwithstanding anything to the contrary contained in the Distribution Agreement, all transactions with any government, governmental or regulatory entity or body, department, commission, board, agency or instrumentality of the United States of America and of any state, local or regional division thereof (hereinafter a “US Governmental Authority”) or any transaction in which a US Governmental Authority is the End User or is directly or indirectly providing funds for the transaction, whether through a prime contract or a subcontract thereunder or a grant or other transaction, shall be subject to the additional terms and conditions contained in the Transaction with Government, Sales to Government Attachment, posted at www.zebra.com/partnerconnect-tc or any equivalent website thereof.
5. In Schedule 2 (Terms and Conditions of Sale) Under Section 1.0 (Price and Discount), Section 1.3 will be deleted in its entirety and replaced with the following:
- "1.3 **Changes to Product prices.** In the event of a: (1) *price decrease* Distributor’s account shall be credited in an amount equal to the difference between the price Distributor paid for the relevant Products and the new decreased Product List Price set by Zebra, subject to verification by Zebra, for each unsold unit in Distributor inventory, in transit, or on Orders acknowledged by Zebra up until the effective date of the decrease. Units must be unused and undamaged. Such credit shall be issued to Distributor’s account with Zebra within [*****] days. Orders received by Zebra subsequent to the effective date of the price decrease, will be invoiced at the new, reduced price; (2) *price increase*- Zebra will provide [*****] days written notice to Distributor prior to any price increase. Firm, accepted Orders in backlog, and Orders received by Zebra prior to the effective date of the increase, will be invoiced at the original price. “
6. In Schedule 2 (Terms and Conditions of Sale) under Section 4.0 (Shipping and Risk of Loss) Section 4.1 will be deleted in its entirety and replaced with the following:

“4.1 Unless otherwise agreed in writing, shipment of Products will be FCA Origin, freight collect, with the Origin point being ZTI’s distribution center in the US (INCOTERMS 2010). Risk of loss shall pass from ZTI to Distributor upon delivery to a common carrier or Distributor’s representative at the shipping location. Distributor shall have the responsibility to pay for insurance; all claims for damage must be filed by Distributor directly with carrier; (b) absent specific instructions, ZTI will select the carrier for shipment, but by doing so, will not thereby assume any liability in connection with shipment nor shall the carrier in any way be construed to be the agent of ZTI; (c) ZTI shall not be liable for any damages or penalty for delay caused solely by transportation or failure to give notice of such delay. “

7. In Schedule 2 (Terms and Conditions of Sale) Section 3.3 will be deleted in its entirety and replaced with the following:

“3.3 Provided Distributor complies with all Zebra’s Product return criteria as detailed in paragraph 3.2 above, full credit will be applied to Distributor’s account as follows: (A) credit will be issued toward Product purchases from Zebra in accordance with this paragraph 3.3; and (B) such credit will be applied to Distributor’s account within [*****] days following receipt and acceptance of the Product at the Zebra designated location. “

8. The following provision will be added to the main body of the Distribution Agreement as Section 26 thereof:

“26. Personal Data.

(i) Personal data means any information relating to an identified or an identifiable natural person (“Personal Data”). An identifiable natural person is one who can be identified, directly or indirectly, in particular by reference to an identification number, or to one or more factors specific to the physical, physiological, mental, economic, cultural or social identity of that person. Distributor may provide Personal Data to Zebra about its employees, its customers, End-Users and / or any other identifiable natural persons.

(ii) Zebra may collect, use, access, store, disclose, transfer, and otherwise process (collectively, “Process”) data, including Personal Data, and disclose it to its officers, Affiliates and third party service providers, only to the extent such Processing is performed for the benefit of Distributor or for the purpose of furthering the mutual business interests of both Distributor and Zebra. The limitations of the foregoing allow Zebra to Process such data for the following purposes: (1) Conduct business under this Agreement and exercise its rights and obligations thereunder and under the Program, (2) Provide and support Products that are orderable or sellable by Distributor (including improving and personalizing such Products), and (3) send communications, including promotional communications, that further the mutual business interests of Distributor and Zebra. Personal Data shall be considered as Confidential Information disclosed by Distributor and be treated in accordance with the provisions of Schedule 6 Confidentiality, of the Agreement.

(iii) Zebra’s Processing of Personal Data will comply with applicable federal, state, local and foreign laws, rules, regulations, and directives relating in any way to the privacy, confidentiality, or security of Personal

Data (collectively, "Privacy Laws"). The list of the Zebra Affiliates which will be the processors of the Personal Data is available at <https://www.zebra.com/us/en/about-zebra/contact-zebra.html>.

(iv) Zebra may engage third party service providers to provide storage and other processing services for Zebra for the purpose of conducting business under the Agreement and the Program, providing the Products and/or Services to Distributor. Zebra shall retain only third party service providers that have agreed to comply with applicable privacy and security obligations that are substantially similar to those required by this Amendment.

(v) Zebra may transfer Personal Data to its Affiliates and / or third party service providers located in other jurisdictions which may not have data protection legislation that provides "adequate" or "equivalent" protection within the meaning of laws in Distributor's jurisdiction, although such transfers will be protected in accordance with the privacy, and security provisions of this Amendment and applicable Privacy Laws.

(vi) Pursuant to applicable regulations, Zebra maintains reasonable technical, administrative, and physical safeguards designed to protect data, including Personal Data, against accidental or unlawful destruction, loss, alteration, or unauthorized Processing, disclosure or access (hereinafter, "Information Security Incident").

(vii) Zebra will inform Distributor within five (5) business days of any Information Security Incident involving Distributor Personal Data. Notice will be made telephonically to Creighton Lynes at 864.286.4906 and via email to creighton.lynes@scansource.com. Zebra will promptly take all necessary and advisable corrective actions, and will cooperate fully with Distributor in all reasonable and lawful efforts to investigate and mitigate such Information Security Incident. The content of any notifications and/or publications to Distributor's customers related to any Information Security Incident regarding Distributor Personal Data must be approved by Distributor prior to distribution to allow Zebra to comply with applicable law, which approval shall not be unreasonably withheld or delayed.

(viii) Distributor acknowledges that Zebra is reliant on Distributor for direction as to the extent to which Zebra is entitled to Process Personal Data. Subject to the limitations of this Section 26 of the Agreement and applicable law, Distributor expressly agrees that Zebra is permitted to use Personal Data to perform direct marketing activities via email, telephone, text messaging, fax or postal mail ("Marketing Communications"). If Distributor or any individual wishes to: opt out of receiving Marketing Communications at any time; request access to any Personal Data held about them; have any Personal Data held about them amended; or prevent any processing of Personal Data, Distributor acknowledges that Zebra can be contacted as specified in Zebra's Privacy Statement, available at <https://www.zebra.com/gb/en/about-zebra/company-information/compliance/information-privacy/privacy-statement.html>, and Zebra agrees to comply with such legitimate requests.

(ix) By way of agreeing to the Agreement, Distributor, on its own behalf and on behalf of the persons Zebra deals with at Distributor's organization, expressly consents to receive from Zebra and its contractors, agents and representatives, written material including Program-related information and commercial and promotional marketing and sales information, via electronic messaging such as email, texting, instant messaging and any other form of electronic transmission (collectively, "Electronic Communications"). Distributor may withdraw its consent to receive the Electronic Communications at any time by contacting

Zebra at http://www.zebra.com/id/zebra/na/en/index/about_zebra/our_company/compliance/privacy_statement.html, or an equivalent thereof, and Zebra agrees to comply with such requests to withdraw consent.

(x) Notwithstanding Distributor’s right to opt-out from receiving Marketing Communications and Electronic Communications and to request the return or destruction of Personal Data as specified in Sub Sections (vii), (ix) and (xiii) herein, Distributor may not refuse Zebra’s communications related to Program Elements’ changes or modifications, whether such communications are made by utilizing Personal Data or not.

(xi) Distributor represents, warrants and undertakes to Zebra that Distributor complies with any applicable laws and has provided any and all necessary notices to, and obtained any and all requisite privacy consents from relevant individuals necessary to permit the activities referred to above.

(xii) Distributor acknowledges that Zebra is reliant on Distributor for direction as to the extent to which Zebra is entitled to Process the Personal Data. Consequently, Zebra will not be liable for any claim brought by Distributor or any third party arising from any action or omission by Zebra, to the extent that such action or omission resulted directly from Distributor's instructions.

(xiii) Upon Distributor’s request, Zebra will return to Distributor, or at Distributor’s request, securely destroy, any Personal Data in Zebra’s possession, custody or control.

9. This Amendment and any amendments of addenda thereto may be executed in two or more of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. A facsimile copy or computer image, such as a PDF or tiff image, of a signature shall be treated as and shall have the same effect as an original signature. In addition, a true and correct facsimile copy or computer image of this Amendment and any amendments or addenda thereto shall be treated as and shall have the same effect as an original signed copy of this document.

IN WITNESS HEREOF, the Parties have executed this Amendment under hand on the date first above written.

SYMBOL TECHNOLOGIES, LLC SCANSOURCE, INC.

By: /s/ Thomas E. Sheahen By: /s/ Brenda McCurry

Name: Thomas E. Sheahen Name: Brenda McCurry

Title: VP N.A. Channel Sales Title: VP Merchandising

Date: May 2, 2017 Date: May 1, 2017

Amendment to EVM PartnerConnect™ Zebra- ScanSource Distribution Agreement
©2017 ZIH Corp and / or its Affiliates. All rights reserved. Proprietary and Confidential.
Rev. January 2017

ZEBRA TECHNOLOGIES INTERNATIONAL, LLC SCANSOURCE LATIN AMERICA, INC.

By: /s/ Thomas E. Sheahen By: /s/ Gerald Lyons

Name: Thomas E. Sheahen Name: Gerald Lyons

Title: VP N.A. Channel Sales Title: Director

Date: May 2, 2017 Date: May 1, 2017

**ZEBRA TECHNOLOGIES DO BRASIL SCANSOURCE DE MEXICO S. DE R.L.
- COMÉRCIO DE PRODUTOS DE DE C.V.
INFORMÁTICA LTDA.**

By: /s/ Roberto Mota By: /s/ Gerald Lyons

Name: Roberto Mota Name: Gerald Lyons

Title: Director Title: Board of Managers

Date: May 4, 2017 Date: May 1, 2017

**SCANSOURCE BRASIL DISTRIBUIDORA CDC BRASIL DISTRIBUIDORA DE
DE TECNOLOGIAS LTDA. ESPECIAIS LTDA. TECNOLOGIAS**

By: /s/ Gerald Lyons By: /s/ Gerald Lyons

Name: Gerald Lyons Name: Gerald Lyons

Title: Advisory Board Title: Advisory Board

Date: May 1, 2017 Date: May 1, 2017

Amendment to EVM PartnerConnect™ Zebra- ScanSource Distribution Agreement
©2017 ZIH Corp and / or its Affiliates. All rights reserved. Proprietary and Confidential.
Rev. January 2017

ADDENDUM TO PARTNERCONNECT™ EVM DISTRIBUTION AGREEMENT (RENTAL SERVICES ADDENDUM)
Region: North America

THIS RENTAL SERVICES ADDENDUM ("Addendum") is entered between:

Zebra Technologies International, LLC, an Illinois limited liability company operating as a subsidiary of Zebra Technologies Corporation, with its registered office at 3 Overlook Point, Lincolnshire IL 60069 ("Zebra")

and

SCANSOURCE, INC., a corporation incorporated in South Carolina, with a place of business at 6 Logue Court, Greenville, South Carolina 29615 ("Distributor").

Zebra and the Distributor are referred to collectively as "Parties" and individually as a "Party".

WHEREAS Distributor has agreed to the Zebra® PartnerConnect EVM Distribution Agreement terms (as amended), which are hereby incorporated by reference (the "Distribution Agreement"); and

WHEREAS Zebra's Asset Identification and Tracking ("AIT") products and services, shall continue not to be within the scope of the Distribution Agreement and shall not be within the scope of this Addendum; and

WHEREAS Distributor is looking to resell to Zebra Authorized Resellers (as defined in Exhibit A), Rental Services, the delivery of which will be governed by the terms and conditions specified in Exhibit A hereof; and

WHEREAS the Parties hereto agree to enter into this Rental Services Addendum, the terms of which are supplemental to the Distribution Agreement terms.

NOW, THEREFORE, the Parties agree as follows:

1. Distribution Agreement Terms and Conditions

Unless otherwise noted herein, all terms not herein defined shall have the meanings ascribed thereto in the Distribution Agreement. Except as expressly set forth in this Rental Services Addendum ("**Addendum**"), the terms and conditions of the Distribution Agreement shall remain unchanged and in full force and effect. In the event of any inconsistency between this Addendum and the Distribution Agreement in relation to the subject herein, this Addendum shall prevail. The section headings used herein are for descriptive purposes only and shall not be used in construing the provisions of the Addendum.

2. Definition

"**Equipment**" shall mean the Zebra products listed on a Rental Services Form that at the time of execution of this Addendum may consist of various configurations of Zebra's MC32, MC92, TC51, TC70, TC75, MC18, MC40, MC55, MC67, RS50 product families. Zebra may add and remove product families from its rental offering by a written message to Distributor and without the need to formally amend this Addendum.

"**End User**" shall mean the legal entity that purchases the Rental Services for their internal use and not for further resale.

"**Rental Services**" shall mean the rights granted by Zebra to Distributor under the Rental Services Contract, or to End Users via Authorized Resellers under a Sell Through Rental Services Agreement, which is identified by a designated SKU number, and is related to the use of the Equipment listed in each Rental Services Form, including the maintenance and support thereof.

“**Rental Services Contract**” shall mean the completed Rental Services Form accepted by Zebra for a specific Rental Services opportunity, and the terms of the Distribution Agreement, as supplemented by the terms of this Addendum, including the Rental Services Agreement terms (and its Schedules) attached to this Addendum as **Exhibit A**.

“**Rental Services Form**” shall mean the Zebra form which an Authorized Reseller must fill out (with Rental Charges redacted) and submit to Zebra (via Distributor) for approval prior to the Distributor’s purchase of Rental Services for a specific End User opportunity. A blank template of a Rental Services Form is attached to this Addendum as **Exhibit B**.

“**Sell Through Rental Services**” shall mean the Rental Services Distributor purchases from Zebra for resale to End Users (via Authorized Resellers) under the terms of **Exhibit A**, and which will be delivered by Zebra directly to the End-Users identified in each Rental Services Form.

“**Sell Through Rental Services Agreement**” shall mean the contract in the form of **Exhibit A** and the completed **Exhibit B** (Rental Charges redacted) which will form an integral part thereof, to be entered into between Zebra and an End User for the delivery of the Rental Services to such End User, following Distributor’s purchase of Sell Through Rental Services from Zebra and their resale (via an Authorized Reseller) to such End User.

3. Authorization to offer and sell Zebra Rental Services and the Applicable Terms.

- a. The Rental Services are classified as Class 5 - Restricted in Zebra’s PartnerConnect program, which means that an Authorized Reseller must have appropriate Zebra authorization to purchase them for resale.
- b. Subject to the Authorized Reseller having obtained Zebra’s authorization to purchase Rental Services for resale (which Zebra will confirm to the Distributor on a case by case basis upon Distributor’s request), the Distributor acknowledges and agrees that:
 1. The Distributor will offer the Rental Services as Sell Through Rental Services to Authorized Resellers, only on the Zebra Sell Through Rental Services Agreement terms set out herein as Exhibit A.
 2. In any acceptance notice issued by Distributor, to indicate its acceptance of Authorized Reseller’s purchase order for Sale Through Rental Services, Distributor shall include a notice that advises the Authorized Reseller that all purchases of Sell Through Rental Services are subject to the Sell Through Rental Services Agreement posted at www.zebra.com/partnerconnect-tc (or any equivalent thereof) or attached. Distributor will require Authorized Reseller to have similar provisions in their acceptance notice that advises the End User that all purchases of the Rental Service are subject to the Sell Through Rental Services Agreement.
- c. In the event Distributor does not comply with the terms of sub sections 3 (b) (1) and (2) above, and a claim is asserted or brought by an End User or Authorized Reseller against Zebra, which arise out of or is in any way connected to:
 - i. End User’s or Authorized Reseller’s assertion that the Sell Through Rental Services Agreement does not regulate the supply of the Sell Through Rental Services from Zebra to End User; or
 - ii. End User’s or Authorized Reseller’s exertion of its contractual rights against Zebra where End User has not entered into the Sell Through Rental Services Agreement with Authorized Reseller and instead is relying upon different contractual terms (the “Rental Services Claim”),

Distributor agrees to defend Zebra in the Rental Services Claim (at Zebra’s request) and indemnify and hold Zebra and its Affiliates harmless from and against: any costs, settlement, service credits, or similar losses due and/ or

payable as a result of the Rental Services Claim; and any judgment awarding damages or other remedy against Zebra in the Rental Services Claim. Zebra shall have the right to participate in the defense of a Rental Services Claim and Distributor will not settle such claim without Zebra's prior written consent.

4. Rental Services Charges, Payment Terms, and Delivery Terms.

The specific rental charges for each transaction shall be as communicated to Distributor by Zebra upon approval of such transaction. The payment terms specified in the Distribution Agreement will apply between Zebra and the Distributor. Zebra will deliver the Equipment to the Distributor, or drop ship it to the Authorized Reseller or the End User location, in accordance with the delivery terms set out in Exhibit A. For the avoidance of doubt, risk of loss or damage to the Equipment shall pass with delivery per the applicable INCOTERMS® 2010, however title in the Equipment and/or software shall never pass and shall remain vested with Zebra or its suppliers as appropriate.

5. Return of Equipment.

Distributor agrees that when it resells Rental Services other than under the terms of Exhibit A, the terms of the Rental Services Contract will apply as between Distributor and Zebra. In such event, Distributor will be responsible for the return of Equipment units to Zebra at the end of rental period for which rental charges have been paid to Zebra, and in the event such Equipment units are not returned to Zebra within fourteen (14) days thereof, Distributor shall pay to Zebra the then-current Equipment list price for each unreturned units, plus any applicable federal, state, or local sales, use, goods, VAT or services taxes, and such payment shall be due upon receipt of Zebra's invoice therefore. Zebra may offset any payments that may be owed to Distributor under the Distribution Agreement, or under any other agreement between Zebra and Distributor against the amounts owed by Distributor pursuant to this Addendum. Additionally, Distributor shall be liable to Zebra for all legal costs, fees and expenses incurred in securing payment of all amounts owed by Distributor under this Addendum.

6. Term and Termination.

This Addendum shall continue until terminated: (i) by either Party for any or no reason upon thirty (30) days' prior written notice to the other Party; (ii) by Zebra immediately for upon occurrence of any of the following events as described in Section 18.1b of the Distribution Agreement; (iii) by Zebra if Distributor fails to, or Distributor fails to ensure that its Authorized Reseller supplies the information required under the Rental Services Form and fails to remedy any such default(s) within thirty (30) days after the receipt of notice to that effect; or (iv) if Distributor ceases for whatever reason to be a Zebra Authorized Distributor.

7. Effects of Termination

Upon the expiration or termination of this Addendum for any reason:

- a. Distributor's authorization to offer for sale and sell the Rental Services shall cease, and Zebra will not accept any new orders for Rental Services from Distributor.
- b. All monies due and owing by Distributor to Zebra for Rental Services under this Addendum shall become immediately due and payable.
- c. Distributor shall deliver to Zebra any and all Confidential Information provided to Distributor in support of this Addendum and promptly return to Zebra all property of Zebra in its possession, including but not limited to loaned equipment, if any.
- d. Distributor shall be responsible to complete all the procedures and processes associated with Rental Services Agreements sold by Zebra to, or through, Distributor prior to the effective date of termination, and shall provide Zebra with such other information and assistance, including without limitation, consent to novation or assignment, as Zebra may reasonably request in order to ensure an orderly termination with minimal commercial disruption.

8. Entire Agreement and Order of Precedence

Exhibit A

Rental Services Agreement

This Rental Services Agreement, together with the completed Rental Services Form (collectively, the “Agreement”), shall govern: (i) all direct sales of Rental Services by Zebra Technologies International, LLC, or any of its Affiliates (collectively and individually referred to as “Zebra”) to End Users; (ii) all sales of Rental Services by Zebra to End Users through Authorized Sellers; and (iii) all sales of Rental Services by Zebra to Company.

TERMS OR CONDITIONS THAT ARE DIFFERENT FROM OR IN ADDITION TO THOSE CONTAINED HEREIN ARE HEREBY REJECTED AND OF NO FORCE OR EFFECT. Any prior or contemporaneous representations, agreements, comments, covenants, or assertions that relate to the subject matter of the Agreement, whether written or oral, are not enforceable.

1. DEFINITIONS.

“**Affiliates**” means any other entity directly or indirectly controlling or controlled by or with common control with one of the parties of more than 50% of the voting stock, limited liability company interest, general partnership interest or voting interest in any such corporation, limited liability company or partnership.

“**Authorized Reseller**” means a reseller or a distributor who participate in the Zebra PartnerConnect program.

“**Company**” means an Authorized Seller who is a direct party to this Agreement, while contracting with a reseller or an End User (as the case may be) for the Rental Services via contract other than this Rental Services Agreement.

“**Contracting Party**” means the Party with which Zebra consummates the sale of Rental Services (depending on the structure of the sale) and to which the Agreement shall apply. For direct sales by Zebra to End Users and sales of Rental Services by Zebra to End Users through Authorized Resellers, the Contracting Party means: End Users. For sales of Rental Services by Zebra or by a Distributor to Company, the Contracting Party means: Company.

“**Effective Date**” means the date specified on the first Rental Services Form submitted under this Agreement as the “Rental Services Start Date”.

“**End User**” means a customer who buys Rental Services for its own use and not for resale, either directly from Zebra or through an Authorized Seller.

“**Equipment**” means the Zebra products listed on each Rental Services Form.

“**Location**” means the full address where the Equipment will be used by End User as specified in the Rental Services Form.

“**Parties**” or “**Party**” means Zebra, Authorized Reseller, and/or the Contracting Party, as applicable.

“**Region**” means one of the four geographic divisions in which Zebra operates. The four regions are (i) North America (ii) Latin America (iii) Europe, Middle East, and Africa; and (iv) Asia Pacific.

“**Rental Charges**” means the amounts specified on the Rental Services Form which includes Equipment maintenance services, software/firmware license, and shipping of the Equipment to End User.

“**Rental Services**” means the rights granted by Zebra related to the use of the Equipment under the terms and subject to the conditions of this Agreement.

“**Rental Services Form**” means the document, a sample of which is attached to the Agreement as Schedule A, which must be submitted by End User or the Authorized Reseller to Zebra in conjunction with placing a Purchase Order for Rental Services. The completed Rental Services Form(s) form an integral part of this Agreement.

2. **AGREEMENT; SCHEDULES.** The Agreement sets forth the terms and conditions upon which Zebra shall rent the Equipment to the Contracting Party. The Agreement is non-cancellable and End User and the Authorized Reseller are responsible for payment of the full Rental Charges regardless of whether End User decides to return the Equipment to Zebra at the end of the Rental Term or at any earlier time. The Agreement includes the attached Schedules A, B, and C:
- a. Schedule A - Rental Services Form which covers the specifics of each Rental Services transaction conducted during the term of the Agreement.
 - b. Schedule B - The End User software/firmware license terms (EULA); and
 - c. Schedule C - The Equipment maintenance and support specification (Zebra OneCare® Essential Service Description Document).
3. **AGREEMENT TERM AND RENTAL TERM.**
- a. The term of the Agreement shall commence on the Effective Date and extend for the later of one year *or* the last to expire Rental Term.
 - b. The Rental Term shall commence on the date Equipment is received by End User and shall terminate on the date Zebra receives all the Equipment back from End User (“**Rental Term**”). The initial rental period is as specified in the Rental Services Form, which in no event can be less than three (3) months (“**Initial Rental Term**”). Thereafter, the term may be renewed for successive one (1)-month periods, subject to Zebra’s receipt of purchase orders, in accordance with Section 10 (PURCHASE ORDER) of the Agreement.
4. **RENTAL CHARGES.** End User and Authorized Reseller agree to pay the Rental Charges for each unit of the Equipment to Zebra. If the Rental Term does not start on the first day of a calendar month or end on the last day of a month, the Rental Charge will be prorated accordingly. The Rental Charges shall be invoiced and payable until all Equipment is received by Zebra from End User.
5. **PAYMENT.** (a) Rental Charges are payable in advance. For Rental Services purchased directly from Zebra, invoices will be provided by Zebra in advance of the applicable month. Unless specified otherwise in any other agreement between the Parties covering the subject matter hereof, all payment terms are net thirty (30) days from the date of Zebra’s invoice. End User or Authorized Reseller shall pay Zebra interest at one and one-half percent (1.5%) per month or the highest lawful rate, whichever is less, on any delinquent payment from the date such payment was due until fully paid. Zebra reserves the right, at any time, to revoke any credit extended if payment is in arrears for more than ten (10) days after notice, or if in Zebra’s sole and absolute discretion, Zebra determines that the End User or Authorized Reseller credit does not warrant further extension of credit. (b) If units are not returned within fourteen (14) days of the end of the rental period for which Rental Charges have been paid, End User shall pay to Zebra the then-current Equipment list price for the unreturned units, and such payment shall be due upon receipt of Zebra’s invoice therefore. (c) Zebra may also, in its sole and absolute discretion, suspend the Rental Services or any part thereof due to non-payment of any sums due or payable until all such outstanding sums have been fully paid. For Rental Services purchased through an Authorized Reseller or from Company, the payment terms agreed to between End User and such Authorized Seller or Company will apply.
6. **SECURITY DEPOSIT.** Prior to taking possession of the Equipment, End User may be required to deposit with Zebra (or with the Authorized Reseller), in trust, a security deposit equal to two (2) times the Rental Charges for the Initial Rental Term (the “Security Deposit”) as security for the performance by End User of the terms under the Agreement and for any damages caused to the Equipment during the Rental Term. Zebra may use all or part of the Security Deposit to cover unpaid Rental Charges and to repair any damage to Equipment caused during the Rental Term, and End User or the Authorized Reseller shall reimburse Zebra for such charges and costs out of the Security Deposit. The Security Deposit is not a limit on the amount Zebra is entitled to recoup under this Agreement and End User and the Authorized Reseller remain liable for any balance thereof. End User and Authorized Reseller shall not apply or deduct any portion of any Security Deposit and shall not use any Security Deposit at any time in

lieu of payment of Rental Charges. If End User breaches any of the terms or conditions of the Agreement, End User shall forfeit any Security Deposit, as permitted by applicable law.

7. **RECALL NOTICE.** Zebra may recall any Equipment, upon ten (10) days written notice to End User.
8. **LABELS.** End User shall not remove, alter, disfigure, or cover up any serial numbering, lettering, logo, or insignia displayed on the Equipment.
9. **EQUIPMENT MAINTENANCE SERVICES.** During the Rental Term, Zebra shall provide End User telephone support and depot maintenance for the Equipment, all as described in Schedule C.
10. **PURCHASE ORDER.** End User or Authorized Reseller shall issue a purchase order for the Rental Services that binds them to their payment obligations during the Initial Rental Term. For continued Rental Services beyond the Initial Rental Term, End User or the Authorized Reseller (as the case will be) shall issue subsequent purchase order(s) to Zebra or to Authorized Reseller in advance of each successive monthly period beyond the Initial Rental Term. Purchase orders to Zebra shall be emailed to Attn: Zebra Service Contracts Administration
- Refer to Schedule A for applicable Zebra email address.
11. **EQUIPMENT OWNERSHIP; LIENS; LOCATION.** Zebra is the sole owner of the Equipment and has sole title thereto. The Contracting Party warrants that it will not encumber the Equipment or their respective interest in the Equipment in any manner whatsoever, nor create or permit to exist any levy, lien or encumbrance thereof except those created by or through Zebra. End User shall not move the Equipment or any part thereof from the Location without Zebra's prior written consent.
12. **POSSESSION AND SURRENDER OF EQUIPMENT.** Possession of the Equipment shall be transferred to End User on the first day of the Initial Rental Term. At the expiration of the Rental Term, End User shall surrender the Equipment to Zebra (or to Authorized Reseller, as instructed by Zebra) in good condition and working order, ordinary wear and tear excepted, as it was at the commencement of the Initial Rental Term.
13. **RISK OF LOSS AND INSURANCE.**
 - a. Company assumes any and all risk of loss or damage to the Authorized Devices during the Term. Company agrees to keep the Authorized Devices insured at Company's expense against all risks of loss from any cause whatsoever, and such insurance shall cover not less than the replacement cost of the Authorized Devices.
 - b. Company shall carry commercial general liability insurance in an amount not less than \$2,000,000 total liability per occurrence with Zebra named loss payee and additional insured under such insurance policies.
 - c. Company shall provide to Zebra, at the following email address: nkq674@zebra.com, certificates of insurance evidencing insurance coverage throughout the Term. If Company fails to provide Zebra with such evidence, then Zebra will have the right, but not the obligation, to purchase insurance protecting Zebra at Company's expense.
14. **MAINTENANCE, DAMAGE AND LOSS.** End User will, at End User's sole expense, keep and maintain the Equipment clean and in good working order and repair during the Rental Term. In the event the Equipment is lost or damaged beyond repair, End User shall pay to Zebra (or to Authorized Reseller) as replacement costs for the Equipment the amount equal to the then-current list price of such Equipment, in addition to End User's obligation to pay the full Rental Charges under the Agreement.
15. **ENCUMBRANCES, TAXES AND OTHER LAWS.** End User shall keep the Equipment free and clear of any liens or other encumbrances and shall not permit any act where Zebra's title or rights may be negatively affected. End User shall be responsible for complying with and conforming to all laws and regulations relating to the possession, use or maintenance of the Equipment. Furthermore, End User shall promptly pay all taxes, fees, licenses, and governmental charges, together with any penalties or interest thereon, relating to the possession, use or maintenance of the Equipment.
16. **ZEBRA'S REPRESENTATIONS.** Zebra represents that it has the right to rent the Equipment as provided in the Agreement and that End User shall be entitled to quietly hold and possess the Equipment, and (subject to

Section 7, RECALL NOTICE) Zebra will not interfere with that right as long as Zebra is paid the Rental Charges in a timely manner and all other obligations to Zebra under the Agreement are performed.

17. SEVERABILITY. If any part or parts of the Agreement shall be held unenforceable for any reason, the remainder of the Agreement shall continue in full force and effect. If any provision of the Agreement is deemed invalid or unenforceable by any court of competent jurisdiction, and if limiting such provision would make the provision valid, then such provision shall be deemed to be construed as so limited.

18. LIMITATION OF LIABILITY.

TO THE MAXIMUM EXTENT PERMITTED BY LAW, ZEBRA WILL NOT BE LIABLE TO CONTRACTING PARTY AND/OR TO AUTHORIZED RESELLERS, THEIR AFFILIATES OR ANY OTHER PERSON FOR ANY LOST REVENUES, PROFITS, GOODWILL OR USE, THE COST OF SUBSTITUTED PRODUCTS OR SERVICES, BUSINESS INTERRUPTION OR ANY DAMAGE TO OR LOSS OF ANY SOFTWARE PROGRAMS, DATA OR REMOVABLE DATA STORAGE MEDIA, FOR THE RESTORATION OR REINSTALLATION OF ANY SOFTWARE PROGRAMS OR DATA, OR FOR ANY INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES OF ANY KIND HOWEVER CAUSED RELATED TO THE RENTAL SERVICES OR THE AGREEMENT, OR THE INABILITY TO USE THE EQUIPMENT, WHETHER ARISING UNDER CONTRACT, TORT (INCLUDING STRICT LIABILITY AND NEGLIGENCE), EQUITY OR ANY OTHER THEORY OF LIABILITY, EVEN IF ZEBRA HAS BEEN ADVISED OF THE POSSIBILITY OF THOSE DAMAGES OR EVEN IF THOSE DAMAGES ARE FORESEEABLE. CONTRACTING PARTY'S AND/OR AUTHORIZED RESELLER'S EXCLUSIVE REMEDY IS EXPRESSLY LIMITED TO PERFORMANCE OF THE RENTAL SERVICES PROVIDED FOR BY THE AGREEMENT OR THE FAIR MARKET VALUE THEREOF.

ZEBRA'S ENTIRE LIABILITY FOR DAMAGES TO THE CONTRACTING PARTY AND/OR AUTHORIZED RESELLERS OR OTHERS RESULTING FROM THE RENTAL SERVICES UNDER THE AGREEMENT SHALL IN NO EVENT EXCEED THE ANNUAL RENTAL CHARGES PAID BY CONTRACTING PARTY AND/OR AUTHORIZED RESELLERS, EXCEPT FOR INSTANCES OF PHYSICAL INJURY TO PERSON OR TANGIBLE PERSONAL PROPERTY DAMAGE. TANGIBLE PERSONAL PROPERTY DOES NOT INCLUDE, WITHOUT LIMITATION, DATA, RECORDS, OR DOCUMENTS OR ANY OTHER RECORDED INFORMATION. (SUCH DATA, RECORDS, DOCUMENTS OR OTHER RECORDED INFORMATION ARE NOT TO BE CONSIDERED TANGIBLE PROPERTY REGARDLESS OF THE MEDIUM, INCLUDING ELECTRONIC, THEY ARE STORED). EXCEPT AS STATED HEREIN, ZEBRA DISCLAIMS ALL WARRANTIES WITH RESPECT TO THE RENTAL SERVICES, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR USE OR NON-INFRINGEMENT. NEITHER PARTY MAY BRING A LEGAL ACTION UNDER THE AGREEMENT OR RELATED TO THE RENTAL SERVICES MORE THAN TWO (2) YEARS AFTER THE CAUSE OF ACTION AROSE UNLESS PROVIDED OTHERWISE BY APPLICABLE NON- WAIVABLE LAW.

19. ASSIGNMENT. Neither the Agreement nor the Contracting Party's rights hereunder are assignable except with Zebra's prior written consent.

20. BINDING EFFECT. The covenants and conditions contained in the Agreement shall apply to and bind the Parties and the heirs, legal representatives, successors and permitted assigns of the Parties.

21. DISPUTE RESOLUTION/GOVERNING LAW. (a) The Agreement will be interpreted under, and any disputes whether sounding in contract, tort or otherwise arising out of the Agreement will be governed by, the laws of the State of Illinois, excluding its conflicts of law principles. The Contracting Party irrevocably consents to the exclusive jurisdiction of the state and federal courts located in Cook or Lake County in the State of Illinois, USA, in connection with all actions arising out of or in connection with the Agreement, and waives any objections that venue is an inconvenient forum. The Contracting Party further agrees that it will not initiate any action against Zebra in any other jurisdiction. The Contracting Party agrees that a final judgment in any such action or proceeding will be conclusive and may be enforced in any other jurisdiction (including without limitation, the appropriate courts of the jurisdiction in which the Contracting Party is resident or in which any property or an office of Contracting Party is located) by suit on the judgment or in any other manner provided by law. (b) The Parties will attempt to settle any claim or controversy arising out of the Agreement through consultation and negotiation in good faith and in the spirit

of mutual cooperation; provided, however that this does not preclude either Party from initiating a legal proceeding. Agreement, by the Parties, to any alternative dispute resolution procedure will not be construed under the doctrines of laches, waiver, or estoppel to adversely affect the rights of either Party. the Contracting Party's performance under the Agreement will not be suspended during the pendency of any dispute. (c) The provisions of this Section 21 (DISPUTE RESOLUTION/GOVERNING LAW) shall survive the termination or expiration of the Agreement. In the event that any provision of the Agreement shall be held unenforceable, such provision shall be enforced to the maximum extent permissible, and the remaining provisions of the Agreement shall remain in effect.

22. NOTICE. Any notice required or otherwise given pursuant to the Agreement shall be in writing and mailed certified return receipt requested, postage prepaid, or delivered by overnight delivery service to the address for notice listed on the Rental Services Form.

23. ENTIRE AGREEMENT. The Agreement constitutes the entire agreement between the Parties and supersedes any prior understanding or representation of any kind preceding the date of the Agreement. There are no other promises, conditions, understandings, or other agreements, whether oral or written, relating to the subject matter of the Agreement. The Agreement may be modified in writing and must be signed by both Zebra and the Contracting Party.

24. CUMULATIVE RIGHTS. Zebra's and the Contracting Party's rights under the Agreement are cumulative, and shall not be construed as exclusive of each other unless stated otherwise or required by law.

25. WAIVER. The failure of either Party to enforce any provisions of the Agreement shall not be deemed a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with every provision of the Agreement. The acceptance of Rental Charges by Zebra does not waive Zebra's right to enforce any provisions of the Agreement.

26. INDEMNIFICATION. Except for damages, claims or losses due to Zebra's negligence, the Contracting Party, to the extent permitted by law, will indemnify and hold Zebra and Zebra's property, free and harmless from any liability for losses, claims, injury to or death of any person, including the Contracting Party, or for damage to property arising from End User using and possessing the Equipment or from the acts or omissions of any person or persons, including End User, using or possessing the Equipment with End User's express or implied consent.

27. DEFAULTS. If the Contracting Party fails to perform or fulfill any obligation under the Agreement(including timely payment) they shall be in default of the Agreement and shall have seven (7) days from the date of notice of default by Zebra to cure the default. In the event the default is not cured, Zebra may, at Zebra's option, (a) cure such default and the cost of such action may be added to the respective Party's financial obligations under the Agreement; or (b) declare the default and terminate the Agreement. If the Contracting Party and/or Authorized Reseller shall become insolvent, cease to do business as a going concern or if a petition has been filed by or against it under the Bankruptcy Act or similar federal or state statute, Zebra may immediately declare a default and terminate the Agreement. In the event of a default, Zebra may, as permitted by law, re-take possession of the Equipment. Zebra may, at its option, hold the Contracting Party liable for any difference between the Rental Charges that would have been payable under the Agreement during the balance of the unexpired term and any amount paid by any successive lessee if the Equipment is re-let, minus the cost and expenses of such reletting. In the event Zebra is unable to re-let the Equipment during any remaining term of the Agreement, after default, Zebra may, at its option, hold End User, the Contracting Party and/or the Authorized Reseller liable for the balance of the unpaid Rental Charges under the Agreement as if the Agreement had continued in force.

28. FORCE MAJEURE. Zebra shall not be responsible or liable for any failure to perform hereunder if such failure is caused by acts of God, acts of government, strikes or labor disputes, pandemic, failures of transportation, fire or flood or other casualty, failures of subcontractors or suppliers, or any other cause or causes (whether or not similar in nature to any of those herein specified) that are beyond Zebra's reasonable control.

Schedule A – Rental Services Form

AGREEMENT (the “Agreement”)	Rental Services Agreement - North America sold to the Reseller named herein (through the named Distributor for the Reseller to resell Rental Services to the named End-User
Agreement Effective Date (“Effective Date”)	May 6, 2021
Zebra Technologies International, LLC (“Zebra”)	Zebra Technologies International, LLC 3 Overlook Point, Lincolnshire IL 60069 Attn: Service Contracts Administration a. All NA Distributors, send to: cs.nadisti@zebra.com b. All other US End Users, send to: cs.northamerica@zebra.com c. All other Canada End Users, send to: cs.canada@zebra.com Notices to Zebra: Include cc: Zebra Law Department-NKQ674@zebra.com
<i>Distributor’s Full Legal Name and Registered Address (if applicable due to the Authorized Reseller purchasing from a Distributor)</i>	
<i>Authorized Reseller Full Legal Name and Registered Address</i>	
<i>End User’s Full Legal Name</i>	
End User Tax Identification Number	
End User Legal Address & Contact Street Address, City, State, Zip Contact Name, Phone, Email	
End User Bill-To Address & Contact Street Address, City, State, Zip Contact Name, Phone, Email	
Delivery Location	
End User Equipment Location (where Equipment will be used) Street Address, City, State, Zip	

Equipment List (Rental Services Part Number and Description) (Minimum Quantity: 25)	
Initial Rental Term	[Minimum of three (3) months]
Rental Charges for the Initial Rental Term (USD)	

Schedule B - LICENSE AGREEMENT (RESTRICTED SOFTWARE)

This End User License Agreement (“EULA”) is a legal agreement between End User (either an individual or a company) (“Licensee”) and Zebra Technologies Corporation (“Zebra”) for Software, owned by Zebra and its affiliated companies and its third-party suppliers and licensors, that accompanies this EULA. For purposes of this EULA, “Software” shall mean machine-readable instructions used by a processor to perform specific operations. BY USING THE SOFTWARE, LICENSEE ACKNOWLEDGES ACCEPTANCE OF THE TERMS OF THIS EULA. IF LICENSEE DOES NOT ACCEPT THESE TERMS, LICENSEE MAY NOT USE THE SOFTWARE.

1. GRANT OF LICENSE. Zebra grants Licensee, the following rights provided that Licensee complies with all terms and conditions of this EULA: For Software provided with Zebra hardware, Zebra hereby grants Licensee a limited, personal, non-exclusive license during the Rental Term to use the Software solely and exclusively for Licensee’s internal use in support of the operation of Licensee’s associated Zebra hardware and for no other purpose. Licensee has no right to use Software provided with Zebra hardware to support non-Zebra hardware. To the extent that non-device specific Software is provided to Licensee in a manner that is designed to be installed by Licensee, Licensee may install one copy of the installable Software on one hard disk or other device storage for one printer, computer, workstation, terminal, controller, access point or other digital electronic device, as applicable (an “Electronic Device”), and Licensee may access and use that Software as installed on that Electronic Device so long as only one copy of such Software is in operation. Licensee may install, use, access, display and run only the number of copies of the Software to which Licensee is entitled under a purchase order, support contract or other agreement with Zebra. In the absence of a support contract, Licensee is entitled, for a period of ninety (90) days from when the instance of Software (or hardware including the Software) are first shipped by Zebra or downloaded by Licensee, to obtain, if available, updates, from Zebra and operational technical support, not including implementation, integration or deployment support (“Entitlement Period”). Licensee may not obtain updates from Zebra after the Entitlement Period, unless covered by a Zebra support contract or other written agreement with Zebra. Certain items of the Software may be subject to open source licenses. The open source license provisions may override some of the terms of this EULA. Zebra makes the applicable open source licenses available to Licensee on a Legal Notices readme file available on Licensee’s device and/or in System Reference guides or in Command Line Interface (CLI) reference guides associated with certain Zebra software or products.

1.1 Authorized Users. The licenses granted herein are subject to the condition that Licensee ensures the maximum number of authorized users accessing and using the Software either alone or concurrently is equal to the number of user licenses for which Licensee is entitled to use either through a Zebra channel partner member or Zebra. Licensee may purchase additional user licenses at any time upon payment of the appropriate fees to the Zebra channel partner member or Zebra.

1.2 Software Transfer. Licensee may only transfer this EULA and the rights to the Software or updates granted herein to a third-party in connection with the support or sale of a device which the Software accompanied during the Entitlement Period or as covered by a Zebra support contract. In such event, the transfer must include all of the Software (including all component parts, the media and printed materials, any upgrades, and this EULA) and Licensee may not retain any copies of the Software. The transfer may not be an indirect transfer, such as a consignment. Prior to the transfer, the end user receiving the Software must agree to all the EULA terms. If Licensee is purchasing Zebra products and licensing Software for end use by a U.S. Government end user, Licensee may transfer such Software license, but only if: (i) Licensee transfers all copies of such Software to the U.S. Government end user or to an interim transferee, and (ii) Licensee has first obtained from the transferee (if applicable) and ultimate end user an enforceable end user license agreement containing restrictions substantially identical to the ones contained in this EULA. Except as stated in the foregoing, Licensee and any transferee(s) authorized by this

provision may not otherwise use or transfer or make available any Zebra software to any third-party nor permit any party to do so.

2. **RESERVATION OF RIGHTS AND OWNERSHIP.** Zebra and its suppliers and licensors reserve all rights not expressly granted to Licensee in this EULA. The Software is protected by copyright and other intellectual property laws and treaties. Zebra or its suppliers or licensors own the title, copyright, and other intellectual property rights in the Software. The Software is licensed, not sold. Licensee understands and agrees that Zebra may license the Software or part of the Software from one or more third-party licensors and any such applicable third-party licensor is an intended third-party beneficiary to this EULA and any such third-party licensor and its successors and assigns may enforce and all terms of this EULA, and nothing herein shall limit such third-party licensor's legal or equitable rights (including injunctive relief), benefits, or remedies of any nature whatsoever under or by reason of this EULA.

3. **LIMITATIONS ON END USER RIGHTS.** Licensee may not reverse engineer, decompile, disassemble, or otherwise attempt to discover the source code or algorithms of, the Software or modify, or disable any features of, the Software, or create derivative works based on the Software. Licensee may not rent, lease, lend, sublicense or provide commercial hosting services with the Software.

4. **MACHINE DATA.** "Machine Data" means usage data collected by software or devices sold (or licensed) under this EULA such as battery management (time to empty, standby current, average current), device system time, CPU processing load, application usage time, free RAM, number of running processes, network information (name, identifier), device identifier, firmware version, hardware version device type, audio volume, LED state, beeper volume, backlight level, key light, odometer count, reboot, reboot cause, total storage and memory availability, power cycle count, and device up time. Notwithstanding anything else in this EULA, all title and ownership rights in and to Machine Data are held by Zebra. In the event, and to the extent Licensee is deemed to have any ownership rights in Machine Data, Licensee hereby grants Zebra a limited, irrevocable, non-exclusive right and license to use Machine Data.

5. **AGGREGATE DATA COLLECTION.** Licensee acknowledges and agrees that Zebra may as permitted by law (a) collect, process, and use aggregated data, stored by or related to the Software, including, without limitation, data generated by the Software or data generated by any device incorporating the Software, and create anonymized and/or aggregated data records that do not allow Zebra to identify any natural person ("Aggregate Data"), (b) use such Aggregate Data to improve the Software, develop new software or services, understand industry trends, create and publish white papers, reports, or databases summarizing the foregoing, and generally for any legitimate purpose related to Zebra's business, and (c) use Aggregate Data to investigate and help address and/or prevent actual or potential unlawful activity.

6. **LOCATION INFORMATION.** The Software may enable Licensee to collect location-based data from one or more client devices which may allow Licensee to track the actual location of those client devices. Zebra specifically disclaims any liability for Licensee's use or misuse of the location-based data. Licensee agrees to pay all reasonable costs and expenses of Zebra arising from or related to third-party claims resulting from Licensee's use or misuse of the location-based data.

7. **PRIVACY.** Zebra's Privacy Policy (located at: <https://www.zebra.com/us/en/about-zebra/company-information/legal/privacy-statement.html>), as amended from time to time, is hereby incorporated by reference into this EULA. If end users submit personal data to Zebra in connection with the use of Zebra hardware or Software, the ways in which Zebra collects and uses that data are regulated by Zebra's Privacy Policy in accordance with applicable law. Zebra is committed to GDPR compliance and Zebra's GDPR Addendum (located at: <https://www.zebra.com/us/en/about-zebra/company-information/legal/gdpr.html>) supplements Zebra's Privacy Policy to the extent personal data is provided to Zebra and the GDPR is applicable to the end user.

8. **SOFTWARE RELEASES.** During the Entitlement Period, Zebra or Zebra's channel partner members may make software releases available to Licensee as those releases become available after the date Licensee obtains its initial copy of the Software. This EULA applies to all and any component of the release that may be made available to Licensee after the date Licensee obtains its initial copy of the Software unless Zebra provides other license terms along with such release. To receive Software provided through the release, Licensee must first be licensed for the

Software identified by Zebra as entitled to the release. Zebra recommends that Licensee enter into a Zebra support contract to ensure that Licensee is entitled to receive any available Software releases. Some features of the Software may require Licensee to have access to the internet and may be subject to restrictions imposed by Licensee's network or internet provider.

9. EXPORT RESTRICTIONS. Licensee acknowledges that the Software is subject to export restrictions of various countries. Licensee agrees to comply with all applicable international and national laws that apply to the Software, including all the applicable export restriction laws and regulations.

10. ASSIGNMENT. Licensee may not assign this EULA or any of Licensee's rights or obligations hereunder (by operation of law or otherwise) without the prior written consent of Zebra. Zebra may assign this EULA and its rights obligations without Licensee's consent. Subject to the foregoing, this EULA shall be binding upon and inure to the benefit of the parties to it and their respective legal representatives, successors and permitted assigns.

11. TERMINATION. This EULA is effective until terminated. Licensee's rights under this EULA will terminate automatically without notice from Zebra if Licensee fails to comply with any of the terms and conditions of this EULA. Zebra may terminate this EULA by offering Licensee a superseding agreement for the Software or for any new release of the Software and conditioning Licensee's continued use of the Software or such new release on Licensee's acceptance of such superseding agreement. Upon termination of this EULA, Licensee must cease all use of the Software and destroy all copies, full or partial, of the Software.

12. DISCLAIMER OF WARRANTY. UNLESS SEPARATELY STATED IN A WRITTEN EXPRESS LIMITED WARRANTY, ALL SOFTWARE PROVIDED BY ZEBRA IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OF ANY KIND FROM ZEBRA, EITHER EXPRESS OR IMPLIED. TO THE FULLEST EXTENT POSSIBLE PURSUANT TO APPLICABLE LAW, ZEBRA DISCLAIMS ALL WARRANTIES EXPRESS, IMPLIED, OR STATUTORY, INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, SATISFACTORY QUALITY OR WORKMANLIKE EFFORT, FITNESS FOR A PARTICULAR PURPOSE, RELIABILITY OR AVAILABILITY, ACCURACY, LACK OF VIRUSES, NON-INFRINGEMENT OF THIRD-PARTY RIGHTS OR OTHER VIOLATION OF RIGHTS. ZEBRA DOES NOT WARRANT THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR FREE. TO THE EXTENT THAT THE SOFTWARE COVERED BY THIS EULA INCLUDES EMULATION LIBRARIES, SUCH EMULATION LIBRARIES DO NOT WORK 100% CORRECTLY OR COVER 100% OF THE FUNCTIONALITY BEING EMULATED, ARE OFFERED "AS IS" AND WITH ALL FAULTS, AND ALL THE DISCLAIMERS AND LIMITATIONS CONTAINED IN THIS PARAGRAPH AND THIS EULA APPLY TO SUCH EMULATION LIBRARIES. SOME JURISDICTIONS DO NOT ALLOW EXCLUSIONS OR LIMITATIONS OF IMPLIED WARRANTIES, SO THE ABOVE EXCLUSIONS OR LIMITATIONS MAY NOT APPLY TO LICENSEE. NO ADVICE OR INFORMATION, WHETHER ORAL OR WRITTEN, OBTAINED BY LICENSEE FROM ZEBRA OR ITS AFFILIATES SHALL BE DEEMED TO ALTER THIS DISCLAIMER BY ZEBRA OF WARRANTY REGARDING THE SOFTWARE, OR TO CREATE ANY WARRANTY OF ANY SORT FROM ZEBRA.

13. THIRD-PARTY APPLICATIONS. Certain third-party applications may be included with or downloaded with this Software. Zebra makes no representations whatsoever about any of these applications. Since Zebra has no control over such applications, Licensee acknowledges and agrees that Zebra is not responsible for such applications. Licensee expressly acknowledges and agrees that use of third-party applications is at Licensee's sole risk and that the entire risk of unsatisfactory quality, performance, accuracy and effort is with Licensee. Licensee agrees that Zebra shall not be responsible or liable, directly or indirectly, for any damage or loss, including but not limited to any damage to or loss of data, caused or alleged to be caused by, or in connection with, use of or reliance on any such third-party content, products, or services available on or through any such application. Licensee acknowledges and agrees that the use of any third-party application is governed by such third-party application provider's Terms of Use, License Agreement, Privacy Policy, or other such agreement and that any information or personal data Licensee provides, whether knowingly or unknowingly, to such third-party application provider, will be subject to such third-party application provider's privacy policy, if such a policy exists. ZEBRA DISCLAIMS ANY RESPONSIBILITY FOR ANY DISCLOSURE OF INFORMATION OR ANY OTHER PRACTICES OF ANY THIRD-PARTY APPLICATION PROVIDER. ZEBRA EXPRESSLY DISCLAIMS ANY WARRANTY REGARDING WHETHER LICENSEE'S PERSONAL INFORMATION IS CAPTURED BY ANY THIRD-

PARTY APPLICATION PROVIDER OR THE USE TO WHICH SUCH PERSONAL INFORMATION MAY BE PUT BY SUCH THIRD-PARTY APPLICATION PROVIDER.

14. LIMITATION OF LIABILITY. ZEBRA WILL NOT BE LIABLE FOR ANY DAMAGES OF ANY KIND ARISING OUT OF OR RELATING TO THE USE OR THE INABILITY TO USE THE SOFTWARE OR ANY THIRD-PARTY APPLICATION, ITS CONTENT OR FUNCTIONALITY, INCLUDING BUT NOT LIMITED TO DAMAGES CAUSED BY OR RELATED TO ERRORS, OMISSIONS, INTERRUPTIONS, DEFECTS, DELAY IN OPERATION OR TRANSMISSION, COMPUTER VIRUS, FAILURE TO CONNECT, NETWORK CHARGES, IN-APP PURCHASES, AND ALL OTHER DIRECT, INDIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, OR CONSEQUENTIAL DAMAGES EVEN IF ZEBRA HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OR LIMITATION OF INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE EXCLUSIONS OR LIMITATIONS MAY NOT APPLY TO LICENSEE. NOTWITHSTANDING THE FOREGOING, ZEBRA'S TOTAL LIABILITY TO LICENSEE FOR ALL LOSSES, DAMAGES, CAUSES OF ACTION, INCLUDING BUT NOT LIMITED TO THOSE BASED ON CONTRACT, TORT, OR OTHERWISE, ARISING OUT OF LICENSEE'S OF THE SOFTWARE OR THIRD-PARTY APPLICATIONS, OR ANY OTHER PROVISION OF THIS EULA, SHALL NOT EXCEED THE FAIR MARKET VALUE OF THE SOFTWARE LICENSE OR AMOUNT PURCHASER PAID SPECIFICALLY FOR THE SOFTWARE LICENSE. THE FOREGOING LIMITATIONS, EXCLUSIONS, AND DISCLAIMERS (INCLUDING SECTIONS 11, 12, 13, 14 AND 18) SHALL APPLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EVEN IF ANY REMEDY FAILS ITS ESSENTIAL PURPOSE.

15. INJUNCTIVE RELIEF. Licensee acknowledges that, in the event Licensee breaches any provision of this EULA, Zebra will not have an adequate remedy in money or damages. Zebra shall therefore be entitled to seek to obtain an injunction against such breach from any court of competent jurisdiction immediately upon request without posting bond. Zebra's right to obtain injunctive relief shall not limit its right to seek further remedies.

16. MODIFICATION. No modification of this EULA shall be binding unless it is in writing and is signed by an authorized representative of the party against whom enforcement of the modification is sought. Continued usage of the Software shall, following modification to the updated EULA, constitute consent to be bound by the updated terms.

17. U.S. GOVERNMENT END USERS RESTRICTED RIGHTS. This provision only applies to U.S. Government end users. The Software is a "commercial item" as that term is defined at 48 C.F.R. Part 2.101, consisting of "commercial computer software" and "computer software documentation" as such terms are defined in 48 C.F.R. Part 252.227 - 7014(a)(1) and 48 C.F.R. Part 252.227-7014(a)(5), and used in 48 C.F.R. Part 12.212 and 48 C.F.R. Part 227.7202, as applicable. Consistent with 48 C.F.R. Part 12.212, 48 C.F.R. Part 252.227-7015, 48 C.F.R. Part 227.7202-1 through 227.7202-4, 48 C.F.R. Part 52.227-19, and other relevant sections of the Code of Federal Regulations, as applicable, the Software is distributed and licensed to U.S. Government end users (a) only as a commercial item, and (b) with only those rights as are granted to all other end users pursuant to the terms and conditions contained herein.

18. APPLICABLE LAW. This EULA is governed by the laws of the state of Illinois, without regard to its conflict of law provisions. This EULA shall not be governed by the UN Convention on Contracts for the International Sale of Goods, the application of which is expressly excluded.

Schedule C: Zebra OneCare® Essential Service Description Document

Available here:

https://partnerportal.zebra.com/PartnerPortal/product_services/services/Zebra_OneCare_Support_Services_reso.aspx

Exhibit B - Rental Services Form (to be submitted to Zebra for each transaction)

AGREEMENT (the "Agreement")	Rental Services Agreement - North Am sold to the Reseller named herein (through the named Distributor for the Reseller to resell Rental Services to End-User
Agreement Effective Date ("Effect Date")	May 6, 2021
Zebra Technologies International, LLC ("Zebra")	Zebra Technologies International, LLC 3 Overlook Point, Lincolnshire IL 60069 Attn: Service Contracts Admin a. All NA Distributors, send to: cs.nadisti@zebra.com b. All other US End Users, send to: cs.northamerica.com c. All other Canada End Users, send to: cs.canada@zebra.com Notices to Zebra: Include cc: Zebra Law Department-NKQ674@zebra.com
<i>Distributor's Full Legal Name and Registered Address (if applicable due to the Authorized Reseller purchasing from a Distributor)</i>	
<i>Authorized Reseller Full Legal Name and Registered Address</i>	
<i>End User's Full Legal Name</i>	
End User Tax Identification Number	
End User Legal Address & Contact Street Address, City, State, Zip Contact Name, Phone, Email	
End User Bill-To Address & Contact Street Address, City, State, Zip Contact Name, Phone, Email	
Delivery Location	
End User Equipment Location (where Equipment will be used) Street Address, City, State, Zip	
Equipment List (Rental Services Part Number and Description) (Minimum Quantity: 26	

Initial Rental Term	[Minimum of three (3) months]
Rental Charges for Initial Rental Term (USD) payable by Distributor to Zebra	

ScanSource, Inc.
Schedule of Subsidiaries

Name of Subsidiary	State/Country of Incorporation
4100 Quest, LLC	South Carolina
ScanSource Properties, LLC	South Carolina
Logue Court Properties, LLC	South Carolina
8650 Commerce Drive, LLC	Mississippi
ScanSource Canada, Inc.	Canada
Canpango, Inc.	South Carolina
Intelisys, Inc.	South Carolina
ScanSource Payments, Inc.	South Carolina
POS Portal, Inc.	California
Outsourcing Unlimited, Inc.	Georgia
RPM Software, LLC	South Carolina
intY USA, Inc.	Florida
Canpango, S.A.	South Africa
intY Holdings Ltd.	United Kingdom
intY Cascade, Ltd.	Ireland
IntY Ltd.	United Kingdom
ScanSource Europe CV	Rotterdam,NL
ScanSource Europe BV	Amsterdam,NL
ScanSource Brasil Distribuidora de Tecnologias Ltda.	Brazil
Intersmart Technologies LLC	Florida

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated August 24, 2021, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of ScanSource, Inc. on Form 10-K for the year ended June 30, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of ScanSource, Inc. on Forms S-8 (File No. 333-110220; File No. 333-144121; File No. 333-153653; File No. 333-169064; File No. 333-192664; and File No. 333-192665).

/s/ Grant Thornton LLP

Columbia, South Carolina
August 24, 2021

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

I, Michael L. Baur, certify that:

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

/s/ MICHAEL L. BAUR

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

Date: August 24, 2021

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

I, Steve Jones, certify that:

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

/s/ STEVE JONES

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

Date: August 24, 2021

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

In connection with the annual report of ScanSource, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 24, 2021

/s/ MICHAEL L. BAUR

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

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

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

In connection with the annual report of ScanSource, Inc. (the "Company") on Form 10-K for the fiscal year ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of §13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 24, 2021

/s/ STEVE JONES

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

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