SCANSOURCE INC
Form DEF 14A
October 24, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

ScanSource, Inc.
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

Fee not required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of 2014 Annual Meeting of Shareholders and Proxy Statement

Thursday, December 4, 2014 at 10:30 a.m., Eastern Standard Time

Marriott Hotel, One Parkway East, Greenville, South Carolina 29615

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Letter from our Chairman

Fellow shareholders:

On behalf of ScanSource's Board of Directors and the members of ScanSource's senior management team we look forward to seeing you at the upcoming 2014 Annual Meeting of Shareholders. The attached Notice of Annual Meeting of Shareholders and Proxy Statement will serve as your guide to the business to be conducted at the meeting this year.

We have continued to adopt best practices in the areas of corporate governance and executive compensation. Earlier this year, we adopted a number of new governance improvements applicable to the Board and the executive leadership to further align the interests of our Board and executive leadership with you. These improvements included the adoption of a stock ownership and retention policy, a claw-back policy, an anti-hedging and anti-pledging policy and a number of revisions to our Corporate Governance Guidelines.

We are also pleased to have Peter Browning join our Board of Directors this past June. Mr. Browning brings a wealth of executive, board leadership and governance experience. We expect that Mr. Browning will make significant contributions to the company's success in the coming years.

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

Best regards,

Steven R. Fischer

Chairman of the Board

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Notice of Annual Meeting of Shareholders

December 4, 2014

10:30 a.m., Eastern Standard Time

The Annual Meeting of Shareholders of ScanSource, Inc. will be held at the Marriott Hotel, One Parkway East, Greenville, South Carolina 29615 on Thursday, December 4, 2014, at 10:30 a.m., Eastern Standard Time, for the following purposes:

1) To elect six members to the Board of Directors;

2) To hold an advisory vote to approve the compensation of our Named Executive Officers (as defined in the Proxy Statement);

3) To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2015; and

4) To transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

Only shareholders whose names appear of record on our books at the close of business on October 8, 2014 will be entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof.

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

By the Order of the Board of Directors

John J. Ellsworth
Executive Vice President, General Counsel and Corporate Secretary

October 21, 2014

Important notice regarding the availability of proxy materials for the annual meeting of shareholders to be held on December 4, 2014. The Company's 2014 Notice of Annual Meeting and Proxy Statement, 2014 Annual Report and other proxy materials are available under the "Investors" tab on our website at www.scansource.com.

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INFORMATION CONCERNING SOLICITATION AND VOTING

This Proxy Statement is first being mailed on or about October 21, 2014 to shareholders of ScanSource, Inc. ("ScanSource," "we," "us," "our," or the "Company") in connection with the solicitation by our Board of Directors (our "Boar of proxies to be voted at the Annual Meeting of Shareholders to be held on Thursday, December 4, 2014, at 10:30 a.m., Eastern Standard Time, at the Marriott Hotel, One Parkway East, Greenville, South Carolina 29615, and any postponement or adjournments thereof (the "2014 Annual Meeting"). The Proxy Statement contains information relating to the proposals to be voted upon at the meeting, the voting process, our Board, the compensation of our Named Executive Officers (as defined in "Executive Compensation — Compensation Discussion and Analysis — Executive Summary"), and certain other information.

The solicitation of proxies is being made by our directors and employees, and the cost of soliciting proxies will be borne by the Company. We have engaged Alliance Advisors to assist us with the solicitation of proxies and expect to pay them a fee of $11,000 plus out-of-pocket expenses. Copies of solicitation materials may be furnished to brokers, custodians, nominees and other fiduciaries for forwarding to beneficial owners of shares of our common stock, and normal handling charges may be incurred for such forwarding service. The Company will bear the expense of such charges. Solicitation of proxies may be made by mail, personal interview, telephone and facsimile by our executive officers, directors and other employees, who will receive no additional compensation for their services.

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

Proposals to be Considered and Vote Required

The following proposals will be voted upon at the 2014 Annual Meeting:

- The election of the six individuals named in this Proxy Statement to serve as members of our Board of Directors for a one-year term, each to serve until the 2015 Annual Meeting of Shareholders and until his successor is duly elected and qualified;
- An advisory vote to approve the compensation of our Named Executive Officers; and
- The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2015.

Only shareholders of record on October 8, 2014 (the “record date”) will be entitled to vote at the 2014 Annual Meeting, and each share will be entitled to one vote. At the close of business on the record date, there were 28,560,935 shares of our common stock outstanding and entitled to vote at the 2014 Annual Meeting.

All of such shares are eligible to be voted on each matter currently scheduled to come before the Annual Meeting. All shares of our common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If no specification is made, properly executed and returned proxies will be voted “FOR” all director nominees, “FOR” approval, on an advisory basis, of the compensation of our Named Executive Officers, and “FOR” ratification, on an advisory basis, of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2015. Management is not aware of any matters, other than those specified herein, that will be presented for action at the Annual Meeting. If other matters are properly presented at the Annual Meeting for consideration, the agents named on the proxy card will have the discretion to vote on those matters for you.

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

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

Assuming the existence of a quorum at the Annual Meeting:

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

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

- The ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2015 will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal. Abstentions will not be treated as votes cast, and therefore will have no effect on the outcome of the vote on this proposal. If your shares are held in street name and you do not provide voting instructions to your broker, your broker has discretionary authority to vote your shares with respect to this proposal.

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How to Vote

Each shareholder is entitled to one vote for each share of common stock on all matters presented at the 2014 Annual Meeting. Shareholders do not have the right to cumulate their votes for the election of directors. Shares may be voted by the following procedures:

Voting In-Person. Shares held directly in your name as the shareholder of record may be voted in person at the 2014 Annual Meeting. If you choose to vote in person at the 2014 Annual Meeting, please bring your proxy card and proof of personal identification. Shares held in street name may be voted in person by you only if you obtain a legal proxy from the shareholder of record giving you the right to vote the shares. If you need directions to the 2014 Annual Meeting, please contact our Investor Relations Director at (864) 286-4892.

Voting via the Internet. Shares may be voted via the Internet. Your voting instructions will be accepted until 11:59 p.m., Eastern Standard Time, on December 3, 2014. Have your proxy card in hand when you access the website and follow the instructions given.

Voting via Telephone. Shares may be voted via any touch-tone telephone by following the instructions on your proxy card. Your voting instructions will be accepted until 11:59 p.m., Eastern Standard Time, on December 3, 2014. Have your proxy card in hand when you call and follow the instructions given.

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

Even if you currently plan to attend the 2014 Annual Meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting. Submitting your proxy via Internet, mobile device, telephone or mail does not affect your right to vote in person at the 2014 Annual Meeting.

Voting of Proxies

By giving your proxy, you grant the right to vote your shares to Michael L. Baur, our Chief Executive Officer, and John J. Ellsworth, our Executive Vice President, General Counsel and Corporate Secretary. If you return a signed, but unmarked proxy card, your shares will be voted (i) **FOR** the election of each of the director nominees named herein, (ii) **FOR** approval, on an advisory basis, of the compensation of our Named Executive Officers, and (iii) **FOR** ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for fiscal 2015.

If you are a registered shareholder (meaning, a shareholder who holds share certificates issued in his or her name and therefore appears on the share register) and have executed a proxy, your proxy may be revoked at any time prior to such proxy being exercised. Such right of revocation is not limited by or subject to compliance with any formal procedure, but may be accomplished by (i) voting again via the Internet, any mobile device or telephone, (ii) requesting, completing and returning a second proxy card bearing a later date, (iii) giving written notice to the Corporate Secretary of the Company, or (iv) by voting in person at the 2014 Annual Meeting.

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

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NEW GOVERNANCE IMPROVEMENTS ADOPTED

Our Board of Directors adopted a number of new corporate governance improvements during this year. These enhancements further align our executives' and directors' interests with those of our shareholders and are briefly summarized below:

Stock Ownership and Retention Policy

The Chief Executive Officer ("CEO") must maintain ownership of Company common stock with a value equal to three times such executive's annual base salary. Directors are expected to hold five times their annual Board cash retainer in Company securities. Persons covered by the policy are expected to utilize grants under equity compensation plans to reach the levels of ownership expected by the policy. The policy also incorporates a retention requirement by requiring such persons to retain 50% of the net shares resulting from the vesting of certain awards to obtain the required ownership under the policy. As of the Record Date, all the directors and the CEO are in compliance with the Company's Stock Ownership and Retention Policy.

Claw-Back Policy

This policy applies to all executive officers of the Company and certain other employees who participate in the Company's equity incentive plan and cash incentive plan. Under the policy, if an award is given to an applicable employee based on financial statements that are restated in a way that would decrease the amount of the award and the misstatement is based, at least in part, on the misconduct of the employee, the employee must refund the Company the excess award received.

Anti-Pledging Policy

Officers and directors are prohibited from holding Company securities in margin accounts or pledging Company securities as collateral for a loan.

Anti-Hedging Policy

Certain hedging transactions are prohibited by the Company's employees, officers and directors.

Corporate Governance Guidelines Revisions

The Board amended certain provisions of the Company's Corporate Governance Guidelines, as follows:

- *Director Resignation.* A director will tender his or her resignation if, in an uncontested election, the director fails to receive a greater number of votes "for" election than votes "withheld" from such election.

- *Independence of Board's Oversight.* Executive officers are prohibited from serving as a director of another company that concurrently employs a director of the Company.

- *Independence Requirement for Committee Service.* The Governance, Nominating, Audit and Compensation committees will be comprised only of independent directors.

- *Separation of Roles.* The Board shall determine from time to time, whether it is in the best interest of the Company to have the same person occupy the offices of CEO and Chairman. Currently, these roles are occupied by different persons. If the Company's CEO does serve as Chairman, the Board shall appoint a "Lead Independent Director."

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- *Service on Other Public Company Boards.* In addition to the existing guideline that no member of the board of directors serve on more than four public company boards (including the Company's) and no more than three public audit committees (including the Company's), the CEO shall not serve on the board of directors for more than three public companies (including the Company's Board).

The Company believes that each of these refinements benefit the Company and its shareholders by enhancing the corporate governance structure and more closely aligning the interest of our officers and directors with those of the shareholders of the Company.

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PROPOSAL NUMBER 1 ELECTION OF DIRECTORS

The Company has nominated the individuals listed below to serve as members of our Board until his successor is duly elected and qualified at the 2015 Annual Meeting of Shareholders or, if earlier, his death, resignation or removal. Each of the nominees is currently a director of the Company.

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

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

Information Regarding Nominees for Director

Name	**Experience and Qualifications**	**Age**	**Served as Director Since**
Steven R. Fischer	**Steven R. Fischer** has served as Chairman of the Board since December 2009 and as a director of the Company since December 1995. Mr. Fischer served as President of North Fork Business Capital Corporation and its successor, Capital One Leverage Finance, from July 2004 to July 2008, and served as President of Transamerica Business Capital Corporation from September 2000 to February 2004, as Executive Vice President and Division Manager of Transamerica Business Capital Corporation from October 1997 to September 2000 and as Senior Vice President and Regional Manager of Transamerica Business Capital Corporation from March 1992 to October 1997. Mr. Fischer is currently a financial consultant and serves as a director of Falconstor Software Inc., a publicly held provider of storage networking infrastructure software, and Keltic Financial Services, LLC, a privately held finance company. Mr. Fischer is a seasoned executive and has valuable experience in overseeing management. He brings to the Board extensive financial skills important to the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance matters. Mr. Fischer's long career in the financial services industry also brings financial management expertise to our Board. His experience is important to the Board's oversight of strategy, compensation practices, risk management	69	December 1995

and implementation of sound corporate governance practices. He serves on each committee of our Board of Directors.

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Name	Experience and Qualifications	Age	Served as Director Since
Michael L. Baur	**Michael L. Baur** has served as our CEO since January 2000 and as a director since December 1995. Mr. Baur has been employed with the Company since its inception in December 1992, and held the position of President from that point until June 2007. Mr. Baur has served the Company as President or CEO since its inception and has developed a deep institutional knowledge and perspective regarding the Company's strengths, challenges and opportunities. Mr. Baur brings strong leadership, entrepreneurial and business building and development skills and experience to the Board. Mr. Baur does not serve on any committee of our Board of Directors.	57	December 1995
Peter C. Browning	**Peter C. Browning** has served as a director of the Company since June 2014. He has extensive experience in business, serving as an executive officer of a number of public companies, including Continental Can Company, National Gypsum Company and Sonoco Products Company. He has also served on more than 10 public company boards, including Wachovia, Nucor Corporation, Lowe's Companies and The Phoenix Companies, in a variety of board leadership roles, including serving as non-executive chair, lead director and chair of audit, compensation and governance/ nominating committees. Mr. Browning currently serves as a member of the board of directors of Nucor Corporation and EnPro Industries, Inc. and as lead director of Acuity Brands. He also serves as lead independent director of the board of Equilar, a private company that is the leading provider of corporate data. Mr. Browning is a well-known authority on board governance. He was the Dean of the McColl Graduate School of Business at Queens University of Charlotte from 2002 to 2005 and has served as the Managing Partner of Peter Browning Partners, a board advisory consulting firm, since 2009. Mr. Browning was selected for the "2011 and 2012 NACD Director 100 List" (a list of the most influential people in corporate governance in the boardroom). Mr. Browning serves on each committee of our Board of Directors.	72	June 2014

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Name	Experience and Qualifications	Age	Served as Director Since
Michael J. Grainger	**Michael J. Grainger** has served as a director of the Company since October 2004. Mr. Grainger served as President and Chief Operating Officer of Ingram Micro, Inc., a technology distributor, from January 2001 to April 2004. From May 1996 to July 2001 he served as Executive Vice President and Chief Financial Officer of Ingram Micro, and from July 1990 to October 1996 as Vice President and Controller of Ingram Industries, Inc. Mr. Grainger currently serves on the board of directors of two multinational diversified private companies, Ingram Industries, Inc. and Belkin International Inc. As a former executive of Ingram Micro (including serving as its Chief Financial Officer), Mr. Grainger brings extensive knowledge of our industry and our competition to the Board. He also brings extensive accounting and financial skills important in the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance, tax and treasury matters. Mr. Grainger serves as the Chairman of our Compensation Committee and serves on our Audit Committee, Nominating Committee and Governance Committee.	62	October 2004
John P. Reilly	**John P. Reilly** has served as a director of the Company since June 2001. Mr. Reilly is currently a partner of Ares Management, LLC, which recently acquired Keltic Financial Services, LLC in Tarrytown, New York, where Mr. Reilly was President and CEO from 1999 to June 2014. Prior to that, from 1977 to 1999, he held senior management positions in the Leveraged Buy-Out, Leasing, Corporate Finance and Private Banking divisions at Citibank, N.A. Mr. Reilly also serves on the Board of Directors of Chimera Investment Corporation, a public real estate investment trust. Mr. Reilly brings to the Board extensive financial skills important in the understanding and oversight of our financial reporting, enterprise and operational risk management and corporate finance matters. His long career in the financial services industry, along with his MBA in Finance from Fairleigh Dickinson University, also brings financial management expertise to our Board. Mr. Reilly serves as Chairman of the Nominating Committee and Governance Committee and serves on our Audit Committee and Compensation Committee.	66	June 2001

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Name	Experience and Qualifications	Age	Served as Director Since
Charles R. Whitchurch	**Charles R. Whitchurch** has served as a director of the Company since February 2009. Mr. Whitchurch served as the Chief Financial Officer of Zebra Technologies Corporation from September 1991 to June 2008. Mr. Whitchurch currently serves on the boards of Ashworth College, a privately held provider of nationally accredited online education, and TricorBraun Holdings, a privately held distributor of rigid packaging materials. In both companies, Mr. Whitchurch serves as Chairman of the Audit Committee. Mr. Whitchurch previously served on the boards of directors of SPSS, Inc., a publicly held provider of predictive analytic software, from October 2003 to October 2009 and Landmark Aviation, a privately held operator of fixed base aviation operations throughout the United States and Europe, from October 2008 to October 2012. On both boards, he served as Chairman of the Audit Committee. Mr. Whitchurch's executive career brings in-depth knowledge of business operations and strategy and broad experience related to financial and corporate governance matters through his tenure serving on the boards of directors of public companies, including serving as the chairman of audit committees. Mr. Whitchurch serves as the Chairman of our Audit Committee and serves on our Compensation Committee, Nominating Committee and Governance Committee.	68	February 2009

The Board of Directors unanimously recommends that shareholders vote "FOR" each of the Nominees listed above.

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2014 Director Compensation Table

The following table provides information regarding the compensation paid to each of our non-employee directors for the fiscal year ended June 30, 2014.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Total ($)
Steven R. Fischer	106,000	115,614	221,614
Michael J. Grainger	91,000	115,614	206,614
John P. Reilly	79,000	115,614	194,614
Charles R. Whitchurch	101,000	115,614	216,614
Peter C. Browning(2)	1,750	48,230	49,980
Steven H. Owings(3)	28,750	—	28,750

(1) Amounts shown are the aggregate grant date fair value of restricted stock awards computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. For a discussion of the assumptions made in such valuation, see note 9 to our audited financial statements for the fiscal year ended June 30, 2014, included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2014, accompanying this proxy statement. The total number of stock options held by each of the non-employee directors as of June 30, 2014 was: Mr. Fischer, 7,000, Mr. Browning, zero, Mr. Grainger, zero, Mr. Reilly, 13,200 and Mr. Whitchurch, zero. Each director (other than Mr. Browning) received a restricted stock award on December 6, 2013 for 2,700 shares that vested on June 6, 2014. None of the non-employee directors, other than Mr. Browning, held restricted stock awards as of June 30, 2014.

(2) Mr. Browning was appointed as a director of the Company effective June 1, 2014 and received a restricted stock award for 1,300 shares on such date.

(3) Mr. Owings served on the Board until October 15, 2013. The compensation for Mr. Owings covers the period beginning on July 1, 2013 and ending on October 14, 2013.

Cash Retainers

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

Equity Retainers

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

The number of shares of restricted stock subject to a director’s annual restricted stock award is determined by dividing $100,000 (or such other current award value as may be set by the Board) by the equity award value per share on the grant date. The equity award value means the value per share based on a 45-day averaging of the fair market value of the common stock over a specified period of time, or the fair market value of the common stock on a specified date. The date of grant of the annual restricted stock awards is the day following each annual shareholders meeting unless the Board modifies, suspends or delays the grant date because the grant date would not occur during an open “window” for stock transactions under the Company’s insider trading compliance program or if the Board otherwise determines that modification, suspension or delay of the grant date is necessary or appropriate.

A person who first becomes a non-employee director on a date other than a regularly scheduled annual meeting of shareholders (such as Mr. Browning on June 1, 2014) will receive a restricted stock award for a pro-rated number of shares of common stock. Restricted stock may not be transferred or sold until it has vested. Restricted stock granted under the 2013 Plan will vest in full on the day that is six months after the date of grant, or upon the earlier occurrence of (i) the director’s termination of service as a director by reason of death, disability or retirement, or (ii) a change in control of the Company. If a director terminates service for any other reason, he or she will forfeit all of his or her right, title and interest in and to the unvested restricted stock as of the date of termination.

Stock Ownership and Retention Policy

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

Corporate Governance

Director Independence

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

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

Board Leadership Structure

Leadership Structure of Board

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

- presiding over all meetings of the Board;
- reviewing the agenda for Board meetings in consultation with our CEO and other members of the Board;
- calling and presiding over meetings of the independent directors;
- managing the Board’s process for annual director self-assessment and evaluation of the Board and of our CEO; and
- presiding over all meetings of shareholders.

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

Board and Committee Meetings in 2014

The Board of Directors met a total of sixteen times during the fiscal year ended June 30, 2014. Mr. Fischer served as the non-executive Chairman of the Board during the entire fiscal year. Committees of the Board met a total of eighteen times during the fiscal year ended June 30, 2014. All directors attended at least 75% of Board and committee meetings that occurred during their tenure as a director during the fiscal year ended June 30, 2014. We expect all Board members to attend the Annual Meeting. All of our directors, except Mr. Browning, who was not a director at the time, attended the 2013 Annual Meeting of Shareholders.

Board's Role in Risk Oversight

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

Director Education

Each member of the Board has completed accredited director education programs. We provide our directors with the opportunity and pay for our directors to attend director education programs. The Company and each Board member are members of the National Association of Corporate Directors ("NACD"). As a member of the NACD, the Company and each Board member have access to the programs, materials, reports, and research teams made available to directors by the NACD.

Corporate Governance Guidelines

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

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General Board Functions

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

Retention of Independent Advisors

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

Succession Planning

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

Board Tenure

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

Composition of Board

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

The Guidelines provide that a majority of the Board will at all times be independent. Through the Nominating Committee, the Board will identify potential candidates for Board membership with the objective being that all new, non-management candidates will be independent. The Nominating Committee will confirm the independence of the non-management directors on an annual basis. The Board of Directors has determined that each of Messrs. Fischer, Grainger, Reilly, Whitchurch and Browning meet the requirements for being "independent" as defined in SEC rules and regulations and NASDAQ listing standards. Mr. Baur is the only management member of the Board.

Service on Other Public Company Boards

The CEO shall not serve on the board of directors for more than three public companies (including the Company's Board). All members of the Board are compliant with the Guidelines regarding service on boards and audit committees of other public companies.

Executive Sessions of Independent Directors

Pursuant to the Guidelines, independent directors must meet regularly without management present. Our independent directors met eleven times in executive session during fiscal 2014.

Director Evaluations and Reviews

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

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Director Resignation

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

Claw-Back Policy

The Claw-Back Policy applies to certain officers of the Company (a “Covered Officer”), which include all executive officers of the Company (as determined from time to time by the Board or the Committee), and such other employees who are participants in the Company’s equity incentive plans and cash incentive plans who may from time to time be deemed subject to the Policy by the Board or the Committee. Under the Policy, if a Covered Officer receives an award under the applicable plan based on financial statements that are subsequently restated in a way that would decrease the amount of the award to which such person was entitled and the restatement is based in whole or in part on the misconduct of the Covered Officer, the Covered Officer will refund to the Company the difference between what they received and what they should have received.

Anti-Pledging Policy

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

Anti-Hedging Policy

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

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Committees of the Board

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

	Audit Committee	**Compensation Committee**	**Governance Committee**	**Nominating Committee**
Steven R. Fischer				
Michael L. Baur				
Michael J. Grainger		***C***		
John P. Reilly			***C***	***C***
Charles R. Whitchurch	***C***			
Peter C. Browning				

C *— Chairperson   Member   Chairman of the Board*

Audit Committee

The Audit Committee is currently composed of Chairman Whitchurch and Messrs. Fischer, Grainger, Reilly and Browning and is therefore comprised solely of independent directors. The functions of the Audit Committee include selecting the independent auditors, reviewing the scope of the annual audit undertaken by our independent auditors and the progress and results of their work, reviewing our financial statements and our internal accounting and auditing procedures and overseeing our internal audit function. None of our directors who are also executive officers may serve on the Audit Committee. The Audit Committee met six times during the fiscal year ended June 30, 2014. Each member of the Audit Committee meets the definition of independence for audit committee members as set forth in the NASDAQ listing standards. The Board has determined that all members of the Audit Committee meet the requirements of an "audit committee financial expert" as defined in SEC rules and regulations.

Compensation Committee

The Compensation Committee is currently composed of Chairman Grainger and Messrs. Fischer, Reilly, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Compensation Committee include reviewing and approving executive compensation policies and practices, reviewing salaries and bonuses for our Named Executive Officers, overseeing our equity-based plans, overseeing compensation risk assessment and considering such other matters as may from time to time be referred to the Compensation Committee by the Board. None of our directors who are also executive officers may serve on the Compensation Committee. The Compensation Committee met seven times during the fiscal year ended June 30, 2014. See "Executive Compensation — Compensation Discussion and Analysis" for a further discussion of the Compensation Committee's processes and procedures for the consideration and determination of executive compensation.

Governance Committee

The Governance Committee is currently composed of Chairman Reilly and Messrs. Grainger, Fischer, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Governance Committee include oversight and responsibility for implementation of the Company's program for complying with the rules and regulations of the SEC and NASDAQ (in conjunction with the Audit Committee, where necessary or appropriate) as well as other NASDAQ rulemaking initiatives pertaining to corporate governance considerations. The Governance Committee held two committee meetings in the fiscal year ended June 30, 2014.

Nominating Committee

The Nominating Committee is currently composed of Chairman Reilly and Messrs. Fischer, Grainger, Whitchurch and Browning and is therefore comprised solely of independent directors. The functions of the Nominating Committee include oversight and responsibility for the recruitment and nomination of our directors from time to time including, but not limited to, the nomination of directors for election at each annual meeting of our shareholders. The Nominating Committee held three committee meetings during the fiscal year ended June 30, 2014.

Candidates for the Board

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

Communications with the Board

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

Code of Ethics

Our Code of Conduct applies to all of our executive officers, including our CEO and our Chief Financial Officer ("CFO"), directors and employees. We will provide a copy of the Code of Conduct upon request to any person without charge. Such requests may be transmitted by regular mail in the care of the Corporate Secretary. We have posted the Code of Conduct on the "Investors" page of our website, *www.scansource.com*, under the "Governance" tab.

We will post on our website, *www.scansource.com* under the "Governance" tab, or will disclose on a Form 8-K filed with the SEC, any amendments to, or waivers from, a provision of the Code of Conduct that apply to our CEO and our CFO, or persons performing similar functions, and that relate to (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Conduct to an appropriate person or persons identified in the Code of Conduct, or (v) accountability for adherence to the Code of Conduct. Any waiver granted to an executive officer or a director may only be granted by the Board and will be disclosed, along with the reasons therefor, on a Form 8-K filed with the SEC. No waivers were granted in fiscal 2014.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended June 30, 2014, Messrs. Fischer, Grainger, Reilly, Whitchurch and Browning served on the Compensation Committee. No member of the Compensation Committee was an officer or employee of the Company or any of its subsidiaries during the fiscal year ended June 30, 2014, or at any time prior thereto. During the fiscal year ended June 30, 2014, no member of the Compensation Committee had any relationship with the Company requiring disclosure under Item 404 of Regulation S-K, and no executive officers served on the compensation committee (or equivalent) or the board of directors, of another entity whose executive officer(s) served on our Board of Directors or Compensation Committee.

Certain Relationships and Related Party Transactions

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

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

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

Recommendation of Board of Directors

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

PROPOSAL NUMBER 2 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Background of the Proposal

We are providing our shareholders with the opportunity at the Annual Meeting to vote on a non-binding advisory resolution, commonly known as a “Say on Pay” proposal, considering approval of the compensation of our Named Executive Officers. The Company currently holds this non-binding advisory vote annually. Last year, 92% of our shareholders voting at our annual shareholder’s meeting approved the compensation of our 2013 Named Executive Officers. This vote is not intended to address any specific item of compensation or any specific named executive officer, but rather the overall compensation of our Named Executive Officers and the philosophy, policies and practices described in this proxy statement. Such discussion is found on pages 23 through 57 of this Proxy Statement.

Executive Compensation

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

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

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

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

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

The Compensation Committee believes that our executive compensation program achieves an appropriate balance between fixed compensation and variable incentive compensation, pays for performance and promotes an alignment between the interests of our Named Executive Officers and our shareholders. Accordingly, we are asking our shareholders at the Annual Meeting to vote “FOR” the non-binding advisory resolution approving the compensation of our named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including Compensation Discussion and Analysis, compensation tables, and narrative discussion.

Effect of Resolution

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

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Recommendation of Board of Directors

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

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

"RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed in the Proxy Statement for our 2014 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, Named Executive Officer compensation tables and related narrative discussion, is hereby APPROVED."

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PROPOSAL NUMBER 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

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

During the 2014 fiscal year, the Audit Committee conducted a competitive process to select an audit firm to serve as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2014. As a result of this process and after careful deliberation, on January 3, 2014, the Audit Committee approved the engagement of Grant Thornton as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2014, and thereby dismissed Ernst & Young LLP ("Ernst &Young") from that role. The engagement of Grant Thornton became effective on January 6, 2014. The reports of Ernst & Young on the Company's consolidated financial statements as of and for the fiscal years ended June 30, 2013 and 2012 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended June 30, 2013 and 2012, and the subsequent interim period through January 3, 2014, there were no (i) "disagreements" (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K) with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Ernst & Young's satisfaction, would have caused Ernst & Young to make reference to the subject matter thereof in its reports for such fiscal years and interim period, or (ii) "reportable events" as that term is described in Item 304(a)(1)(v) of Regulation S-K.

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Principal Accountant Fees and Services

As reflected in the table below, we incurred fees in fiscal 2014 and 2013 for services performed by Grant Thornton and Ernst & Young related to such periods.

	Year Ended June 30, 2014[(1)]	Year Ended June 30, 2013[(2)]
Audit Fees	$ 1,211,372	$ 1,596,069
Audit-Related Fees	$ 4,000	$ 6,776
Tax Fees	$ 3,404	$ 89,399
All Other Fees	$ —	$ —
Total Fees	$ 1,218,776	$ 1,692,244

(1) All fees for the fiscal year ended June 30, 2014 were owed to Grant Thornton.
(2) All fees for the fiscal year ended June 30, 2013 were owed to Ernst & Young.

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

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

- “Audit-Related Fees” are fees for services performed during fiscal 2014 and 2013 by the independent auditors for due diligence services and their review of other SEC filings and communications; and

- “Tax Fees” are fees for services performed during the respective years by the independent auditors for professional services related to certain foreign tax compliance, tax advice and tax planning.

Audit Committee’s Pre-approval Policies and Procedures

It is the policy of the Audit Committee to pre-approve all audit and permitted non-audit services proposed to be performed by our independent auditor. All audit and permitted non-audit services performed in fiscal 2014 were pre-approved by the Audit Committee. The process for such pre-approval is typically as follows: Audit Committee pre-approval is sought at one of the Audit Committee's regularly scheduled meetings following the presentation of information at such meeting detailing the particular services proposed to be performed. The authority to pre-approve non-audit services may be delegated by the Audit Committee, pursuant to guidelines approved by the Audit Committee, to one or more members of the Audit Committee. None of the services described above were approved by the Audit Committee pursuant to the exception provided by Rule 2-01(c)(7)(i)(C) under Regulation S-X.

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

Recommendation of Board of Directors

The Board of Directors unanimously recommends that shareholders vote "FOR" the ratification of the appointment of Grant Thornton as our independent registered public accounting firm for the fiscal year ending June 30, 2015.

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EXECUTIVE COMPENSATION

Executive Officers

The following sets forth certain information regarding our current executive officers who, together with our former Executive Vice President of Operations and Corporate Development, Andrea Meade, are our Named Executive Officers for the fiscal year ending June 30, 2014.

Name	Experience and Qualifications	Age
Michael L. Baur	**Michael L. Baur** has served as our CEO since January 2000 and as a director since December 1995. Mr. Baur has been employed with the Company since its inception in December 1992, and held the position of President from that point until June 2007.	57
Charles A. Mathis	**Charles A. Mathis** has served as our Senior Vice President and Chief Financial Officer since joining the Company in December 2012. Effective July 1, 2014, Mr. Mathis was appointed Executive Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Mathis served as Chief Financial Officer of Force Protection, Inc. from 2008 to 2012. From 2006 to 2008 Mr. Mathis served as Chief Financial Officer of EFW, Inc.	53
John J. Ellsworth	**John J. Ellsworth** has served as our Vice President, General Counsel and Corporate Secretary since August 2008. Effective July 1, 2014, Mr. Ellsworth was appointed Executive Vice President, General Counsel and Corporate Secretary. Prior to joining the Company, Mr. Ellsworth served as Assistant General Counsel of One Price Clothing Stores, Inc. from 2000 to 2003 and as a judicial law clerk in 1999.	46
Gerald Lyons	**Gerald Lyons** has served as Senior Vice President of Finance and Principal Accounting Officer since July 2012, and served as our Vice President, Financial Business Systems from January 2010 to July 2012. Mr. Lyons joined the Company in April 2007 and also held the position of Vice President, Corporate Controller from April 2007 to January 2010. Prior to joining the Company, Mr. Lyons served as the Plant Controller, Global Group Controller and Plant Manager for Moen Incorporated.	51

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Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide information about our compensation objectives and practices for our Named Executive Officers. Our Named Executive Officers for fiscal 2014 were:

Name	Current Position
• Michael L. Baur	Chief Executive Officer
• Charles A. Mathis	Executive Vice President and Chief Financial Officer
• John J. Ellsworth	Executive Vice President, General Counsel & Corporate Secretary
• Gerald Lyons	Senior Vice President of Finance and Principal Accounting Officer
• Andrea Meade	former Executive Vice President of Operations & Corporate Development

Ms. Meade's employment with the Company ended on November 19, 2013. She received certain severance benefits pursuant to her employment agreement with the Company and provided certain consulting services to the Company through May 31, 2014.

Executive Summary

Objectives of the Compensation Program

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

Objective	Description
Pay-for-Performance	We emphasize performance-based compensation, which motivates executives and key employees to achieve strong financial, operational and individual performance in a manner that balances short-term and long-term results.
Retain Talented Leadership	We attract and retain talented Named Executive Officers and key employees by providing total compensation competitive with that of other executives and key employees of similarly sized companies, whether within or outside of our industry.

Align Interests of Executives with Shareholders	We encourage a long-term commitment to ScanSource and align the interests of executives with shareholders, by providing a significant portion of total compensation tied to performance, including both variable performance-based bonus structures and in the form of stock-based incentives and requiring a target level of stock ownership by our Chief Executive Officer.

Pay-for-Performance

The guiding principle of our compensation philosophy is that pay should be linked to performance and that the interests of executives and shareholders should be aligned. Our compensation program is designed to provide significant performance-based compensation which is variable based on our actual results and our executives' performance, as compared to fixed or guaranteed compensation. The variable and equity-based components of our compensation program are designed to link our executives' pay with our performance.

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As a result, a significant portion of our Named Executive Officers' compensation is directly contingent on our operating results (operating income and ROIC) and growth in shareholder value. The below charts show the correlation between our CEO's total compensation and our stock price since 2009.