

SCANSOURCE INC
Form DEF 14A
October 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

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):

No fee required.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

SCANSOURCE, INC.

6 Logue Court

Greenville, South Carolina 29615

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held December 3, 2009

The Annual Meeting of Shareholders of ScanSource, Inc. will be held at the Marriott Hotel, One Parkway East, Greenville, South Carolina, 29615, on Thursday, December 3, 2009, at 10:00 a.m., local time, for the following purposes:

- (1) To elect six members to the Board of Directors;
- (2) To approve (a) the amendment and restatement of the Company's Amended and Restated 2002 Long-Term Incentive Plan, including amendments to increase the number of available shares, and (b) certain terms of the Amended and Restated 2002 Long-Term Incentive Plan designed to preserve the tax deductibility of certain compensation under the plan pursuant to Section 162(m) of the Internal Revenue Code of 1986;
- (3) To ratify the appointment of the Company's independent auditors for the fiscal year ending June 30, 2010; 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 the books of the Company at the close of business on October 14, 2009 will be entitled to notice of and to vote at the Annual Meeting or at any adjournments thereof.

The Company is pleased to be using the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. As a result, the Company is mailing to its shareholders a Notice of Internet Availability of Proxy Materials (the "Notice"). The Notice contains instructions on how to access the Company's Proxy Statement and Annual Report and vote online. The Notice also contains instructions on how shareholders can receive a paper copy of the Company's proxy materials, including a Proxy Statement, the Company's Annual Report and a form of proxy card or voting instruction card. Shareholders who receive a paper copy of the Company's proxy materials, including a Proxy Statement, the Company's Annual Report and a form of proxy card or voting instruction card may vote by telephone. By furnishing its proxy materials over the Internet, the Company is lowering the costs and reducing the environmental impact of the Company's Annual Meeting.

You are cordially invited and urged to attend the Annual Meeting in person, but if you are unable to do so, please vote by proxy over the Internet or by telephone, or, if you received paper copies of the proxy materials by mail, you can also vote by mail by following the instructions on the proxy card or voting instruction card. Voting over the Internet, by telephone or by written proxy or voting instruction card will ensure your representation at the Annual Meeting regardless of whether you attend in person. If you attend the Annual Meeting and desire to revoke your proxy and vote in person, you may do so. In any event, you are entitled to revoke your proxy at any time before it is exercised.

James G. Foody

Chairman of the Board

October 21, 2009

SCANSOURCE, INC.

6 Logue Court

Greenville, South Carolina 29615

PROXY STATEMENT

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of ScanSource, Inc. (the "Company") to be used in voting at the Annual Meeting of Shareholders of the Company to be held at the Marriott Hotel, One Parkway East, Greenville, South Carolina, 29615, on Thursday, December 3, 2009, at 10:00 a.m., local time, and at any adjournments thereof (the "Annual Meeting").

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be

Held on December 3, 2009

The Company's proxy statement and Annual Report are available at www.proxyvote.com.

This year, the Company is pleased to be using the U.S. Securities and Exchange Commission rule that allows companies to furnish their proxy materials over the Internet. On or about October 21, 2009, the Company started mailing to its shareholders a Notice of Internet Availability of Proxy Materials (a "Notice"). The Notice contains instructions on how to access this Proxy Statement and Annual Report and vote online. The Notice also contains instructions on how shareholders can receive a paper copy of the Company's proxy materials, including this Proxy Statement, the Company's Annual Report and a form of proxy card or voting instruction card. Shareholders who receive a paper copy of the Company's proxy materials, including a Proxy Statement, the Company's Annual Report and a form of proxy card or instruction card may vote by telephone. By furnishing its proxy materials over the Internet, the Company is lowering the costs and reducing the environmental impact of the Annual Meeting.

Any shareholder who executes the form of proxy referred to in this Proxy Statement may revoke it at any time before it is exercised. The proxy may be revoked by giving written notice to the Secretary of the Company of such revocation, by executing and delivering to the Secretary of the Company a proxy bearing a later date, or by attending the Annual Meeting and voting in person. Whether or not you plan to attend, you are urged to sign and return the enclosed proxy.

The cost of preparing, assembling and mailing this Proxy Statement and the form of proxy will be borne by the Company. Directors, officers and employees of the Company may also solicit proxies personally or by mail, telephone or facsimile. No compensation will be paid for such solicitations. In addition, the Company will bear the reasonable expenses of brokerage houses and other custodians, nominees and fiduciaries who, at the request of the Company, may send proxies and proxy solicitation material to their clients and principals. This Proxy Statement is first being made available to the Company's shareholders on October 21, 2009.

Voting Securities Outstanding

The Board of Directors has fixed the close of business on October 14, 2009 as the record date and time for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting and at any adjournments thereof. As of such date, 26,641,313 shares of the Company's no par value common stock (the "Common Stock") were outstanding. All of such shares are eligible to be voted on each matter currently scheduled to come before the Annual Meeting, and no other outstanding shares of capital stock of the Company are eligible to be voted at the Annual Meeting. Cumulative voting for the election of directors is not available under the Company's Articles of Incorporation. Consequently, each eligible share of Common Stock is entitled to one vote on each matter to be voted upon at the Annual Meeting. The election of directors will be by plurality vote as indicated below. For each other matter specified in this Proxy Statement to be submitted for shareholder

approval at the Annual Meeting, the affirmative vote of a majority of the votes cast at the Annual Meeting is required for approval. Abstentions and broker non-votes are not considered as votes cast, and therefore will have no effect on the outcome of the vote on such matters. A broker non-vote occurs when a broker or other nominee holding shares of Common Stock for a beneficial owner does not vote on a particular proposal because the broker or other nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the beneficial owner.

The Bylaws of the Company 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. Directions to withhold authority to vote for directors, abstentions and broker non-votes 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 chairman of the meeting or the shareholders holding a majority of the shares of Common Stock entitled to vote, present in person or represented by proxy, have the power to adjourn the meeting from time to time without notice, other than an announcement at the meeting, until a quorum is present or represented. Directors, officers and employees of the Company may solicit proxies for the reconvened meeting in person or by mail, telephone or telegram. 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.

PROPOSAL ONE

ELECTION OF DIRECTORS

Six directors are to be elected at the Annual Meeting. Pursuant to the authority granted to it by the Company's Bylaws, the Board of Directors has set the size of the Board of Directors at six members. The size of the Board of Directors may be increased or decreased by resolution of the Board of Directors.

The Board of Directors has recommended each of the six existing members of the Board of Directors as the six nominees for election as directors at the Annual Meeting to serve until the next annual meeting of shareholders or until their respective successors shall have been elected and qualified. The following are the Company's nominees for election as directors at the Annual Meeting: Michael L. Baur, Steven R. Fischer, James G. Foody, Michael J. Grainger, John P. Reilly and Charles R. Whitchurch.

In accordance with the Bylaws of the Company, those nominees receiving the greatest number of votes cast (although not necessarily a majority of the votes cast) will be elected to the Board of Directors. Abstentions and shares held in street name that are not voted in the election of directors (i.e., broker non-votes) will not be included in determining the number of votes cast in the election of directors. The proxies solicited for the Annual Meeting cannot be voted for a greater number of persons than six, the number of nominees named. Cumulative voting in the election of directors is not permitted by the Company's Articles of Incorporation. If any nominee shall become unavailable for any reason, the persons named in the form of proxy shall vote for a substitute nominee or vote to reduce the number of directors to be elected as directed by the Board of Directors. The Board of Directors has no reason to believe that any of the six nominees listed above will not be available for election as a director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES SET FORTH ABOVE. THE PERSONS NAMED IN THE FORM OF PROXY WILL VOTE THE PROXY AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES SET FORTH ABOVE.

PROPOSAL TWO

APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE AMENDED AND RESTATED 2002 LONG-TERM INCENTIVE PLAN

On September 10, 2009, the Board of Directors approved the amendment and restatement, subject to shareholder approval at the Annual Meeting, of the ScanSource, Inc. Amended and Restated 2002 Long-Term Incentive Plan (the 2002 Plan). The material changes to the 2002 Plan include: (a) an increase in the number of shares of Common Stock that may be issued under the 2002 Plan from 2,800,000 shares to 4,800,000 shares; and (b) a new limitation on the maximum number of shares of Common Stock that may be issued under the 2002 Plan pursuant to the grant of incentive stock options of 4,800,000 shares, in each case subject to adjustments as described in the 2002 Plan. In addition, the amended and restated 2002 Plan adds restricted stock units to the types of awards that may be intended to qualify for the exemption from the limitation on deductibility imposed by Section 162(m) (Code Section 162(m)) of the Internal Revenue Code of 1986, as amended (the Code). Approval of the amended and restated 2002 Plan will also include approval of the 2002 Plan s performance factors, eligibility terms and participant award limitations for purposes of Code Section 162(m).

The Board of Directors approved the amendment and restatement of the 2002 Plan to be effective as of the date it is approved by the shareholders. The approval of the amended and restated 2002 Plan requires the affirmative vote of a majority of the votes cast at the Annual Meeting. If the amended and restated 2002 Plan is not approved by the shareholders, the 2002 Plan will remain in effect as amended and restated on March 12, 2009. We refer in this discussion to the proposed amendment and restatement of the 2002 Plan and the proposed approval of the Code Section 162(m) performance goals described in the previous paragraph as the 2002 Plan Proposal. See 2002 Plan Proposal, below.

A summary of the 2002 Plan, as proposed to be amended and restated as described above, is set forth below. The summary is qualified in its entirety by reference to the full text of the 2002 Plan, a copy of which is attached as Annex A to this Proxy Statement.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2002 PLAN. THE PERSONS NAMED IN THE FORM OF PROXY WILL VOTE THE PROXY AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2002 PLAN.

Background Regarding 2002 Plan Proposal and the Company s Equity Grant Practices

Approval of the 2002 Plan Proposal will facilitate the attraction, retention and motivation of talented employees critical to the Company s success.

The Board of Directors believes that the Company s employee equity compensation program, as implemented under the 2002 Plan, allows the Company to attract and retain employees capable of achieving consistently superior business results. The Board also believes that the 2002 Plan effectively aligns the interests of the plan participants with those of the Company s shareholders by linking a portion of their compensation directly to increases in shareholder value. The Company has a long history of linking pay to the Company s long-term stock performance for a broad group of employees, not just executives. Approval of the 2002 Plan Proposal should provide the Company with the flexibility it needs to continue to use equity compensation to attract, retain and motivate a large group of talented employees who are important to the Company s long-term growth and success.

Approval of the 2002 Plan Proposal will allow the Company to follow equity compensation best practices, including the efficient use of equity awards.

The Company's equity award practices and the 2002 Plan include a number of provisions that the Board believes are consistent with the interests of shareholders and sound corporate governance practices:

Limitation on Shares Issued. Assuming the passage of the 2002 Plan Proposal, no more than 4,800,000 total shares of Common Stock will be authorized for issuance under the 2002 Plan (subject to adjustment for anti-dilution purposes). The Company does not propose to modify separate award limitations that currently apply to options, stock appreciation rights and other awards. See Summary of the 2002 Plan Limitations on Awards, below.

No Discounted Stock Options or Stock Appreciation Rights. All stock options and stock appreciation rights must have an exercise or base price equal to or greater than the fair market value of the Common Stock on the grant date.

No Annual Evergreen Provision. The 2002 Plan authorizes a fixed number of shares of Common Stock (except for anti-dilution adjustments made under the 2002 Plan), thereby requiring shareholder approval of any additional authorization of shares.

No Stock Option or Stock Appreciation Right Repricings Without Shareholder Approval. The 2002 Plan prohibits the exercise price of any stock option or base price of any stock appreciation right from being reduced without shareholder approval (except for anti-dilution adjustments made under the 2002 Plan).

Vesting and Award Practices. Historically, equity awards under the 2002 Plan have consisted of stock options and restricted stock awards. Stock options generally have a 10-year term and vest over a three-year period. The restricted stock awards granted to date generally vest over three years. The Company believes that its vesting and award practices are responsible and further the Company's incentive and retention objectives.

Equity Award Policy. The Company maintains a formal Equity Award Policy which provides that equity awards will be granted by the Compensation Committee (or the Board of Directors) except in certain specified circumstances when grants may be made by the Chief Executive Officer. The policy also specifies when annual, merit-based equity grants and new hire, promotion and special recognition equity grants may be made. See Executive Compensation Compensation Discussion and Analysis Other Elements of the Company's Executive Compensation Program Equity Grant Practices.

Efficient Use of Equity. The Company is committed to the efficient use of equity awards and is mindful of ensuring that the Company's equity compensation program does not overly dilute the Company's existing shareholders.

ScanSource, Inc. Overhang and Run Rate

The Company's overhang at June 30, 2009 was 10.7%. If the 2002 Plan Proposal is approved, the Company's estimated overhang will be approximately 18.3%. Overhang is calculated as follows: the sum of (i) all outstanding but unexercised stock options, (ii) all outstanding but unvested restricted shares or stock units and (iii) all shares available for future grant under all stock-based compensation plans, divided by all common shares outstanding (shares issued less treasury stock). The estimate of overhang generally assumes the continuation of the Company's prior equity award grant practices and exercise patterns. The Company's actual annual run rate will, however, depend on, and be influenced by, a number of factors, including changes to the number of employees receiving awards under the 2002 Plan, the price per share of the Company's Common Stock on the grant date, the methodology used to value and determine equity awards and the mix of award types provided to 2002 Plan participants. The Company may change its equity award grant practices in the future.

A significant portion of the Company's outstanding stock option grants are underwater, but the Company's relative performance has been strong.

Approximately 60% of the outstanding stock options granted under the 2002 Plan are currently underwater, meaning that these options have exercise prices that are higher than the closing share price of the Common Stock on September 30, 2009 (\$28.32) (as reported on the NASDAQ Global Select Market, LLC (NASDAQ)). The Board of Directors believes that incentive compensation is a critical component of the Company's compensation arrangements and correlates to its ability to deliver business results that generate shareholder value. For the past 15 years the Company has provided an average operating income of 4.2% with a low of 3.6% and a high of 5%. Many of the Company's most talented employees are participants in the 2002 Plan. The Board of Directors believes that the retention of these individuals is critical to the Company's continued success. The Board of Directors believes that the 2002 Plan Proposal will allow the Company to continue the use of equity compensation as a component of a competitive, but measured, overall compensation program. The Board of Directors also believes that the 2002 Plan Proposal strikes an appropriate balance between flexibility in designing incentive compensation arrangements, and limiting dilutive concerns.

Summary of the 2002 Plan

Purpose. The purpose of the 2002 Plan is to promote the success, and enhance the value, of the Company by linking the personal interests of its employees, officers, consultants and advisors to those of its shareholders, and by providing participants with an incentive for outstanding performance. The 2002 Plan is also intended to provide flexibility to the Company in its ability to motivate, attract and retain the services of employees, officers, consultants and advisors upon whose judgment, interest and special effort the successful conduct of the Company's operations is largely dependent.

Eligibility. The 2002 Plan permits the grant of incentive awards to employees, officers, consultants and advisors of the Company and its affiliates as approved by the Compensation Committee. At this time, approximately 1,038 employees and 21 officers are eligible to participate in the 2002 Plan. No consultants or advisors have been approved to participate in the 2002 Plan.

Permissible Awards. The 2002 Plan authorizes the grant of awards in any of the following forms: (i) options to purchase shares of Common Stock, (ii) stock appreciation rights, (iii) restricted stock awards and restricted stock units, (iv) performance awards payable in stock or cash, (v) dividend equivalents and (vi) other equity-based awards.

Limitations on Awards. Subject to adjustment as provided in the 2002 Plan, the aggregate number of shares of Common Stock currently available for issuance pursuant to awards granted under the 2002 Plan is 2,800,000. The maximum number of shares of Common Stock with respect to one or more options or stock appreciation rights that may be granted during any one calendar year under the 2002 Plan to any one person is 200,000 (subject to certain adjustment as provided in the 2002 Plan). The maximum fair market value of any awards (other than options or stock appreciation rights) that may be received by a participant (less any consideration paid by the participant for such award) during any one calendar year under the 2002 Plan is \$3,000,000. These participant award limitations are not proposed to be changed.

Minimum Vesting Requirements. Except in the case of substitute awards or awards granted as an inducement to join the Company as a new employee to replace forfeited awards from a former employer, any full-value award granted under the 2002 Plan to an employee or officer will either (i) be subject to a minimum vesting period of three years (which may include graduated vesting within such three-year period), or one year if the vesting is based on performance criteria other than continued service, or (ii) be granted solely in exchange for foregone cash compensation. Notwithstanding the foregoing, the Compensation Committee may permit acceleration of vesting of such awards in the event of the participant's death, disability, retirement or other termination of service or upon the occurrence of a change in control subject to certain plan limitations. In addition, the Compensation Committee may accelerate vesting of awards for any reason subject to certain plan limitations.

Oversight and Administration. The Compensation Committee of the Board of Directors oversees the 2002 Plan. The Compensation Committee has broad authority, including the authority to designate participants; determine the type or types of awards to be granted to each participant and the number, terms and conditions thereof; establish, adopt or revise any rules and regulations as it may deem advisable to administer the 2002 Plan; and make all other decisions and determinations that may be required under the 2002 Plan. The Board of Directors also may administer the 2002 Plan and, if it does so, it will have all the powers of the Compensation Committee. References in Proposal Two to the Compensation Committee also include the Board if the Board has elected to assume authority to administer the 2002 Plan. As noted above, the Compensation Committee has adopted an Equity Award Policy for the administration of the 2002 Plan. See Compensation Discussion and Analysis in this Proxy Statement for more information.

Stock Options. The Compensation Committee is authorized to grant incentive stock options and/or non-qualified stock options under the 2002 Plan. The terms of an incentive stock option must meet the requirements of Code Section 422. The exercise price of an option may not be less than the fair market value of the underlying stock on the grant date, and no option may have a term of more than 10 years.

Stock Appreciation Rights. The Compensation Committee may also grant stock appreciation rights (SARs). SARs provide the holder the right to receive the excess, if any, of the fair market value of one share of Common Stock on the date of exercise, over the base price of the SAR as determined by the Compensation Committee, which will not be less than the fair market value per share of the Common Stock on the grant date. SARs may not be exercisable for more than 10 years. The consideration payable upon SAR exercise may be in cash, shares of Common Stock or a combination, as determined by the Committee.

Restricted Stock Awards. The Compensation Committee may make awards of restricted stock to participants, which will be subject to such restrictions on transferability and other restrictions as the Compensation Committee may impose (including, without limitation, limitations on the right to vote restricted stock or the right to receive dividends, if any, on the restricted stock).

Restricted Stock Units. The Compensation Committee may make awards of restricted stock units, which will be subject to such restrictions on transferability and other restrictions as the Compensation Committee may impose. Upon lapse of such restrictions, shares of Common Stock (or the equivalent value in cash or other property if the Compensation Committee so provides) will be distributed to the participant in settlement of the restricted stock units.

Performance Awards. The Compensation Committee may grant performance awards that are designated as either performance units or performance awards. If applicable performance goals are met, performance shares are settled in shares of Common Stock or the equivalent cash value, and performance units are settled in cash or property other than shares. The Compensation Committee will have the complete discretion to determine the number of performance awards granted to any participant and to set performance goals and other terms or conditions to payment of the performance awards in its discretion which, depending on the extent to which they are met, will determine the number and value of performance awards that will be paid to the participant.

Dividend Equivalents. The Compensation Committee is authorized to grant dividend equivalents on awards, other than options and stock appreciation rights, to participants subject to such terms and conditions as may be established by the Compensation Committee. Dividend equivalents entitle the participant to receive payments equal to dividends with respect to all or a portion of the shares of Common Stock subject to an award, as determined by the Compensation Committee.

Other Equity-Based Awards. The Compensation Committee may, subject to limitations under applicable law, grant to participants such other awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of Common Stock as deemed by the Compensation Committee to be consistent with the purposes of the 2002 Plan, including, without limitation, shares of Common Stock awarded purely as a bonus and not subject to any restrictions or conditions, convertible or exchangeable debt securities,

other rights convertible or exchangeable into shares of Common Stock, and awards valued by reference to book value of shares of Common Stock or the value of securities of or the performance of specified parents or subsidiaries. The Compensation Committee will determine the terms and conditions of any such awards.

Limitations on Transfer; Beneficiaries. Generally, awards are not assignable or transferable by a participant other than by will or the laws of descent and distribution or, except in the case of an incentive stock option, pursuant to a qualified domestic relations order, although the Compensation Committee may permit other transfers under certain specified conditions. A participant may, in the manner determined by the Compensation Committee, designate a beneficiary to exercise the rights of the participant and to receive any distribution with respect to any award upon the participant's death.

Acceleration Upon Certain Events. Unless otherwise provided in an award certificate, if a participant dies, retires or becomes disabled at any time, or if a change in control (as defined in the 2002 Plan) of the Company occurs and a participant is terminated without cause or resigns for good reason (as such terms are defined in the 2002 Plan) within 12 months after the change in control, all of such participant's outstanding options and SARs will become fully vested and exercisable and all restrictions on his or her outstanding restricted stock awards will lapse. In each of the above cases except retirement, the Compensation Committee also may (but need not) waive the achievement of performance goals under the participant's Code §162(m) performance-based awards. In addition, the Compensation Committee may in its discretion accelerate awards upon the occurrence of a change in control or upon any termination of employment, subject to certain plan limitations. The Compensation Committee may accelerate the vesting of awards for any other reason, subject to certain plan limitations. The Compensation Committee may discriminate among participants or among awards in exercising such discretion.

Adjustments. In the event of a nonreciprocal transaction between the Company and its shareholders that causes the per-share value of the Common Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the share authorization limits under the 2002 Plan will be adjusted proportionately, and the Compensation Committee must make such adjustments to the 2002 Plan and awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. In the event of a stock-split, a stock dividend, or a combination or consolidation of the outstanding Common Stock into a lesser number of shares, the authorization limits under the 2002 Plan will automatically be adjusted proportionately, and the shares then subject to each award will automatically be adjusted proportionately without any change in the aggregate purchase price.

Termination and Amendment. The Board of Directors or the Compensation Committee may, at any time and from time to time, terminate or amend the 2002 Plan without shareholder approval; however, if an amendment to the 2002 Plan would, in the reasonable opinion of the Board or the Compensation Committee, materially increase the benefits accruing to participants, materially increase the number of shares of stock issuable under the 2002 Plan, materially modify the requirements for eligibility, or otherwise constitute a material amendment requiring shareholder approval under applicable laws, policies or regulations, such amendment will be subject to shareholder approval. In addition, the Board or the Compensation Committee may condition any amendment on the approval of the shareholders for any other reason, including necessity or advisability under tax, securities or other applicable laws, policies or regulations. No termination or amendment of the 2002 Plan may adversely affect any award previously granted under the 2002 Plan without the written consent of the participant. The Compensation Committee may amend or terminate outstanding awards. However, such amendments may require the consent of the participant and, unless approved by the shareholders or otherwise permitted by the antidilution provisions of the 2002 Plan, the exercise price of an outstanding option or the base price of any SAR may not be reduced, directly or indirectly, and the original term of an option may not be extended.

2002 Plan Proposal

Share Limitations. As noted above, the Board of Directors has approved, conditioned on and effective as of shareholder approval, the amendment and restatement of the 2002 Plan, including (but not limited to)

amendments to (a) increase the maximum number of shares of Common Stock issuable under the 2002 Plan; and (b) establish a new limit on the maximum number of shares of Common Stock that may be issued pursuant to the exercise of incentive stock options granted under the 2002 Plan. If the 2002 Plan Proposal is approved by the shareholders, the aggregate number of shares issuable under the 2002 Plan will be increased by 2,000,000 shares to 4,800,000 shares. In addition, if the shareholders approve the 2002 Plan Proposal, of the maximum number of shares issuable under the 2002 Plan, the maximum number of shares issuable upon the exercise of incentive stock options may not exceed 4,800,000 shares. These share limitations are subject to anti-dilution provisions as provided in the 2002 Plan.

As of September 30, 2009, approximately 1,721,273 shares were subject to outstanding awards granted under the 2002 Plan, and approximately 579,790 shares remained available for issuance. The Board of Directors believes that an increase in the number of shares authorized to be issued under the 2002 Plan is necessary in order to continue the purposes of the 2002 Plan and the Company's compensation objectives as described in this Proxy Statement under Compensation Discussion and Analysis, as equity-based awards align the interests of employees with the interests of the Company's shareholders and serve as a powerful recruitment tool. See Executive Compensation Compensation Discussion and Analysis, 2009 Summary Compensation Table, 2009 Grants of Plan-Based Awards Table and 2009 Outstanding Equity Awards at Fiscal Year-End Table, below. The Company has not granted SARs to date under the 2002 Plan.

In determining to propose that the shareholders approve the 2,000,000 additional shares to be authorized for issuance under the 2002 Plan, the Compensation Committee and the Board of Directors considered the Company's historical grant practices, the number and exercise prices of options currently outstanding (including the fact that, as of September 30, 2009, approximately 60% of outstanding options were underwater), potential dilutive effects, comparative data for overhang and burn rate and the need to continue to motivate employees and to serve the other primary purposes of the 2002 Plan.

Performance-Based Compensation Code Section 162(m) Requirements. As noted above, the 2002 Plan is structured to comply with the requirements imposed by Code Section 162(m) and related regulations in order to preserve, to the extent practicable, the tax deduction available to the Company for awards made under the 2002 Plan to covered employees (generally the chief executive officer and the three most highly compensated officers other than the chief executive officer or the chief financial officer). Code Section 162(m) generally denies a public company a deduction for compensation in excess of \$1,000,000 paid to each of the covered employees of the Company unless the compensation is exempt from the \$1,000,000 limitation because it qualifies as performance-based compensation. The Company believes that it is in the best interests of the Company and its shareholders to structure the 2002 Plan so that the Company is in a position to maximize corporate deductibility of executive compensation to the extent that it is practicable to do so. Under Code Section 162(m), shareholder re-approvals must be sought every five years or earlier if, as is the case here, performance goals are proposed to be changed.

In order to qualify as performance-based compensation, the compensation paid under a plan to covered employees must be paid under pre-established objective performance goals determined and certified by a committee comprised of outside directors. In addition to other requirements for the performance-based compensation exception, shareholders must be advised of, and must approve, the material terms (or changes in material terms) of the performance goals under which compensation is to be paid. Material terms include: (a) the employees eligible to receive compensation; (b) a description of the business criteria on which the performance goal is based; and (c) either the maximum amount of the compensation to be paid if the performance goal is met or the formula used to calculate the amount of compensation if the performance goal is met. The 2002 Plan provisions regarding eligibility and the maximum amount of compensation that may be granted or received during any calendar year are described under Summary of the 2002 Plan Eligibility and Limitations on Awards above. The performance goals, which we refer to as performance factors, are described below.

Options and SARs granted under the 2002 Plan generally are intended to qualify as performance-based awards because the option or base price must be at least equal to the fair market value of the Common Stock on

the grant date. The Compensation Committee may designate other awards (such as, for example, a restricted stock award) as a qualified performance-based award in order to attempt to make the award fully deductible under Code Section 162(m). Under the 2002 Plan, as amended and restated March 12, 2009, performance awards, restricted stock awards, other stock-based awards and cash incentive awards are currently designated as the types of awards that are intended to qualify for exemption under Code Section 162(m). Under the 2002 Plan Proposal, in order to provide more flexibility regarding the types of awards that may qualify as performance-based awards, the Board of Directors has approved adding restricted stock units as a type of performance-based award that may be designated to qualify for the exemption from the limitation on deductibility imposed by Code Section 162(m).

Shareholder approval of the 2002 Plan Proposal will also include approval of the performance factors contained in the 2002 Plan. These performance factors include: (i) earnings per share, (ii) EBITDA (earnings before interest, taxes, depreciation and amortization), (iii) EBIT (earnings before interest and taxes), (iv) economic profit, (v) cash flow, (vi) sales growth, (vii) net profit before tax, (viii) gross profit, (ix) operating income or profit, (x) return on equity, (xi) return on assets, (xii) return on capital, (xiii) changes in working capital, (xiv) shareholder return and (xv) ROIC (return on invested capital). With the exception of return on invested capital, which has been added to the amended and restated 2002 Plan (subject to shareholder approval), these performance factors are the same factors currently contained in the 2002 Plan.

Certain Federal Income Tax Consequences

The following summary generally describes the principal U.S. federal (and not foreign, state or local) income tax consequences of awards granted under the 2002 Plan as of the date of this proxy statement. The summary is general in nature and is not intended to cover all tax consequences that may apply to a particular employee or to the Company. The provisions of the Code and regulations thereunder relating to these matters are complicated and their impact in any one case may depend upon the particular circumstances.

Incentive Stock Options. The grant and exercise of an incentive stock option generally will not result in taxable income to the participant if the participant does not dispose of shares received upon exercise of such option less than one year after the date of exercise and two years after the date of grant, and if the participant has continuously been an employee from the date of grant to three months before the date of exercise (or 12 months in the event of disability). However, the excess of the fair market value of the shares received upon exercise of the option over the exercise price generally will constitute an item of adjustment in computing the participant's alternative minimum taxable income for the year of exercise. Thus, certain participants may incur federal income tax liability as a result of the exercise of an incentive stock option under the Code's alternative minimum tax rules.

The Company generally is not entitled to a deduction upon the exercise of an incentive stock option. Upon the disposition of shares acquired upon exercise of an incentive stock option, the participant will be taxed on the amount by which the amount realized exceeds the exercise price. This amount will be treated as capital gain or loss.

If the holding period requirements described above are not met, the participant will have ordinary income in the year of disposition to the extent of the lesser of: (a) the fair market value of the stock on the date of exercise minus the exercise price or (b) the amount realized on disposition of the stock minus the exercise price. We generally are entitled to deduct as compensation the amount of ordinary income realized by the participant.

Non-qualified Stock Options. If a participant receives a non-qualified stock option, the difference between the fair market value of the stock on the date of exercise and the exercise price will constitute taxable ordinary income to the participant on the date of exercise. The Company generally will be entitled to a deduction in the same year in an amount equal to the income taxable to the participant.

Stock Appreciation Rights. The grant of an SAR will not result in taxable income to a participant or a tax deduction to the Company. Upon exercise of the SAR, the amount of cash and fair market value of shares received by the participant (determined at the time of delivery to the participant), less cash or other consideration paid (if any), is taxed to the participant as ordinary income and the Company generally will be entitled to receive a corresponding tax deduction.

Restricted Stock Awards. The grant of restricted stock awards will not result in taxable income to the participant or a tax deduction to the Company, unless the restrictions on the stock do not present a substantial risk of forfeiture or the award is transferable. In the year that the restricted stock is no longer subject to a substantial risk of forfeiture or the award is transferable, the fair market value of such shares at such date and any cash amount awarded, less cash or other consideration paid (if any), will be taxed to the participant as ordinary income, except that, in the case of restricted stock issued at the beginning of the restriction period, the participant may elect to include in his ordinary income at the time the restricted stock is awarded, the fair market value of such shares at such time, less any amount paid for the shares. The Company generally will be entitled to a corresponding tax deduction at the time the participant recognizes ordinary income related to the award.

Restricted Stock Units, Performance Shares, Performance Units, Other Equity-Based Awards and Dividend Equivalents. The federal income tax consequences of the award of restricted stock units, performance shares, performance units, other equity-based awards or dividend equivalents will depend on the conditions of the award. Generally, the grant of one of these awards does not result in taxable income to the participant or a tax deduction to the Company. However, the participant will recognize ordinary compensation income at settlement of the award equal to any cash and the fair market value of any common stock received (determined as of the date that the award is not subject to a substantial risk of forfeiture or is transferable). The Company generally is entitled to a deduction upon the participant's recognition of income in an amount equal to the ordinary income recognized by the participant.

Code Section 409A. Code Section 409A imposes certain requirements on deferred compensation. The 2002 Plan is intended to comply in good faith with the requirements of Code Section 409A, including related regulations and guidance, where applicable and to the extent practicable. If, however, Code Section 409A is deemed to apply to an award, and the 2002 Plan and award do not satisfy the requirements of Code Section 409A during a taxable year, the participant will have ordinary income in the year of non-compliance in the amount of all deferrals subject to Code Section 409A to the extent that the award is not subject to a substantial risk of forfeiture and has not previously been included in income. The participant will be subject to an additional tax of 20% on all amounts includible in income and an additional tax equal to the amount of interest at the underpayment rate plus one percentage point on the underpayments that would have occurred had the deferred amounts been includible in income for the taxable year in which first deferred or, if later, when not subject to a substantial risk of forfeiture. The Company generally will be entitled to an income tax deduction with respect to the amount of compensation includible as income to the participant. The Company undertakes no responsibility to take, or to refrain from taking, any actions in order to achieve a certain tax result for any participant.

Performance-based Compensation Code Section 162(m) Requirements. As noted above, subject to shareholder approval of the 2002 Plan Proposal, the 2002 Plan is structured to comply with the requirements imposed by Code Section 162(m) and related regulations in order to preserve, to the extent practicable, the Company's tax deduction for awards made under the 2002 Plan to covered employees.

Plan Benefits

The selection of individuals who will receive awards under the 2002 Plan, if Proposal Two is approved by the shareholders, and the amount of any such awards, is subject to Compensation Committee discretion and is not yet determinable due to performance and other requirements. Therefore, it is not possible to predict the benefits or amounts that will be received by, or allocated to, particular individuals or groups of employees in fiscal 2010. The number of shares of Common Stock subject to awards granted in fiscal 2009 to the Company's named executive officers is set forth in this Proxy Statement in the Summary Compensation Table and the Grant of Plan-Based Awards Table.

Previous Grants

The named executive officers have previously been granted awards for the following numbers of shares under the 2002 Plan: Mr. Baur 630,660; Mr. Cleys 65,000; Mr. Benbenek 130,137; Ms. Meade 73,303; and Mr. Ellsworth 28,400. The total number of shares subject to awards that have been granted to these executive officers as a group under the 2002 Plan is 927,500. No awards have been granted under the 2002 Plan to directors who are not executive officers of the Company. Other than Mr. Baur, none of the individuals nominated for election as a director has been granted awards under the 2002 Plan. Mr. Baur is the only individual who has been awarded five percent or more of the number of shares currently authorized under the 2002 Plan. The total number of shares subject to awards granted to all Company employees, excluding current executive officers, under the 2002 Plan is 1,240,606.

Equity Compensation Plan Information

The following table gives information about the Common Stock that may be issued upon the exercise of options, warrants and rights under all of the Company's existing equity compensation plans as of June 30, 2009.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity Compensation Plans Approved by Shareholders	1,721,273 ⁽¹⁾	\$ 27.09	579,790 ⁽⁶⁾
	241,336 ⁽²⁾	\$ 14.43	
	21,240 ⁽³⁾	\$ 9.67	
	⁽⁴⁾		127,300
	170,200 ⁽⁵⁾	\$ 20.59	
Equity Compensation Plans Not Approved by Shareholders	2,154,049	\$ 24.99	707,090
TOTAL:	2,154,049	\$ 24.99	707,090

⁽¹⁾ ScanSource, Inc. 2002 Long-Term Incentive Plan. At September 30, 2009, approximately 579,790 shares remain available for issuance under the 2002 Long-Term Incentive Plan, which allows for grants of stock options, stock appreciation rights, performance stock awards, restricted stock awards, dividend equivalent awards and other equity-based awards.

⁽²⁾ ScanSource, Inc. 1997 Stock Incentive Plan, as amended.

⁽³⁾ ScanSource, Inc. 1993 Incentive Stock Option Plan, as amended.

⁽⁴⁾ ScanSource, Inc. Amended and Restated Directors Equity Compensation Plan. At September 30, 2009, approximately 127,300 shares remain available for issuance under the Amended and Restated Director's Equity Compensation Plan, which provides for grants of stock options and restricted stock awards.

⁽⁵⁾ ScanSource, Inc. 1999 Non-Employee Director Stock Option Plan, as amended.

⁽⁶⁾ All of these shares may be granted as awards of restricted stock, performance shares or unrestricted stock.

PROPOSAL THREE**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Audit Committee has appointed the firm of Ernst & Young LLP, an independent registered public accounting firm, as independent auditor to make an examination of the accounts of the Company for the fiscal year ending June 30, 2010, which appointment has been ratified by the Board of Directors. 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.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP. THE PERSONS NAMED IN THE FORM OF PROXY WILL VOTE THE PROXY AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE PROXY WILL BE VOTED FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP.

A representative of Ernst & Young LLP 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.

Principal Accountant Fees and Services

As reflected in the table below, the Company incurred fees in fiscal 2009 and 2008 for services performed by Ernst & Young LLP related to such periods.

	Year Ended June 30, 2009	Year Ended June 30, 2008
Audit Fees	\$ 1,274,795	\$ 1,202,505
Audit-Related Fees	\$ 5,000	\$ 60,133
Other Fees	\$	\$ 50,902
Tax Fees	\$ 123,060	\$ 39,844
Total Fees	\$ 1,402,855	\$ 1,353,384

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 the Company's Form 10-K, the audit of internal control over financial reporting and review of financial statements included in the Company's Form 10-Qs, and for 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 2009 and 2008 by the independent auditors for their review of the Company's SEC filings and communications;

Other Fees are fees for services performed during 2008 by the independent auditors in connection with their review of the findings of the investigation by the Special Committee formed by the Company's Board of Directors into the Company's stock option award practices as well as the services performed by the independent auditors in connection with their audit of the financial statements restated by the Company as a result of the Special Committee's investigation; 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 the Company's independent auditor. The process for such pre-approval is typically as follows: Audit Committee pre-approval is sought at one of the 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 to one or more members of the Committee, who shall present any decision to pre-approve an activity to the full Committee at the first meeting following such decision. 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 Ernst & Young LLP and has determined that the provision of such services is compatible with maintaining Ernst & Young LLP's independence.

OTHER BUSINESS

The Board of Directors of the Company knows of no other matter to come before the Annual Meeting. However, if any matter requiring a vote of the shareholders should be duly presented for a vote, then the persons named in the enclosed form of proxy intend to vote such proxy in accordance with their best judgment.

PROPOSALS FOR 2010 ANNUAL MEETING

Shareholder proposals intended to be presented at the 2010 Annual Meeting of Shareholders must be received by the Company by June 23, 2010 for possible inclusion in the proxy materials relating to such meeting, in accordance with the SEC's Rule 14a-8. However, if the date of the 2010 Annual Meeting is changed by more than 30 days from the first anniversary of the date of the 2009 Annual Meeting, the deadline will instead be a reasonable time before the Company begins to print and mail the proxy statement for the 2010 Annual Meeting.

Shareholders intending to present a proposal or to nominate a candidate for director for election at the 2010 Annual Meeting of Shareholders, but not to have the proposal or nomination considered for inclusion in the proxy materials for that meeting, must be eligible and give the Company advance written notice in accordance with the Company's Bylaws.

The deadline for shareholders to provide written notice of intent to make nominations for the election of directors at the 2010 Annual Meeting of Shareholders (but not for inclusion in the proxy materials relating to such meeting) will be no more than 75 days and no less than 45 days prior to the date of the meeting. The Company's Bylaws provide that such notice shall set forth in writing (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), including such person's written consent to being named in the proxy statement as a nominee and to serving as director if elected; and (b) as to the shareholder giving notice and the beneficial owner, if any, on whose behalf the nomination is made (i) the name and address, as they appear on the Company's books, of such shareholder and such beneficial owner, (ii) the class and number of shares of the Company which are owned beneficially and of record by such shareholder and such beneficial owner and (iii) a description of all arrangements or understandings between such shareholder or beneficial owner and each nominee and any other person or persons pursuant to which the nomination or nominations are to be made by such shareholder.

For business proposals to be brought before an annual meeting by a shareholder, the shareholder must give timely notice and such other business must otherwise be a proper matter for shareholder action. The deadline for

shareholders to provide written notice of their intent to bring a proposal (other than a nomination for the election of directors) at the 2010 Annual Meeting of Shareholders (but not for inclusion in the proxy materials relating to such meeting) is no more than 90 days and no less than 60 days prior to the first anniversary of the 2009 Annual Meeting. However, if the 2010 Annual Meeting is more than 30 days before or more than 60 days after such anniversary date, notice must be delivered no more than 90 days and no less than 60 days prior to such Annual Meeting or the 10th day following the day on which public announcement of the 2010 Annual Meeting is given by the Company. Assuming that the date of the 2010 Annual Meeting is not advanced or delayed in the manner described above, the required notice for the 2010 Annual Meeting would need to be provided to the Company not earlier than September 4, 2010 and not later than October 4, 2010.

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

MANAGEMENT

Directors and Executive Officers of the Registrant

The following sets forth certain information regarding the Company's executive officers and directors:

James G. Foody, 79, has served as a Chairman of the Board of Directors since December 2005 and as a director of the Company since December 1995. Mr. Foody has served as a business consultant in Greenville, South Carolina since October 1990. Prior to that time, he was a partner in the accounting firm of Ernst & Young LLP.

Michael L. Baur, 52, has served as the Company's Chief Executive Officer since January 2000 and as a director since December 1995. Mr. Baur has been employed with the Company since its inception, and held the position of President from that point until June 2007. Prior to joining the Company, from April 1991 to November 1992, Mr. Baur served in various positions at personal computer manufacturer Argent Technologies, Inc., including President and General Manager. In September 1989, Mr. Baur joined Gates/FA, a value-added computer and technology distributor, as a Product Manager and served as Merchandising Manager from February 1990 to March 1991.

Steven R. Fischer, 64, has served 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.

John P. Reilly, 61, has served as a director of the Company since June 2001. Mr. Reilly is co-founder and managing partner of Keltic Financial Services, LLC in Rye, New York. 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.

Michael J. Grainger, 57, 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.

Charles R. Whitchurch, 63, 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. He is currently a member of the Board of Directors and Chairman of the Audit Committee of SPSS, Inc. a publicly held provider of predictive analytic software. He is also a board member and Audit Committee Chairman of Landmark Aviation, a privately held operator of fixed base operations at multiple locations throughout the United States and Europe.

R. Scott Benbenek, 53, has served as the Company's President of Worldwide Operations since June 2007, and served as the Company's Executive Vice President, Corporate Operations from 2002 to 2007. Mr. Benbenek joined the Company in 1998, and has also held the positions of Vice President of Merchandising and Director of Merchandising. Prior to joining the Company, Mr. Benbenek served as Product Manager for Gates/Arrow (now Synnex), from 1990 to 1992, and served as Director of Merchandising and Vice President of Merchandising for Gates/Arrow from 1992 to 1995 and 1995 to 1998, respectively.

Richard P. Cleys, 58, has served as Vice President and Chief Financial Officer since joining the Company in November 2002. Prior to joining the Company, Mr. Cleys served as Vice President and Controller of Lanier Worldwide, Inc., a multinational office product and service distributor, from 1996 to 1998 and as Vice President Finance and Treasurer from 1999 to 2001. From 1993 to 1996, Mr. Cleys served as Vice President and Chief Financial Officer of AB Dick, Inc., a manufacturer of printing products.

John J. Ellsworth, 41, has served as the Company's Vice President, General Counsel and Corporate Secretary since August 2008 and as the Company's General Counsel and Corporate Secretary since joining the Company in January 2003 to August 2008. 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. Mr. Ellsworth earned a Bachelor of Arts degree in political science and communications from the University of Wisconsin and received his Juris Doctor from the University of Minnesota in 1999. Mr. Ellsworth is admitted to practice law in the states of South Carolina and Minnesota.

Andrea D. Meade, 38, has served as the Company's Executive Vice President of Operations and Corporate Development since June 2007, and served as the Company's Executive Vice President, Corporate Operations from 2002 to 2007. Ms. Meade joined the Company in 2000, and has also held the position of Director of Strategic Development. Prior to joining the Company, Ms. Meade served as a Senior Associate with Green, Manning & Bunch, Ltd., a middle market investment banking firm. Prior to that, Ms. Meade served as an Associate in J.P. Morgan & Co.'s Financial Institutions Group, focused on mergers and acquisitions and advisory services.

CORPORATE GOVERNANCE MATTERS

Independent Directors

In accordance with the listing standards of the NASDAQ Global Select Market, LLC ("NASDAQ") and the Company's Corporate Governance Guidelines (the "Guidelines"), the Company's Board of Directors must consist of a majority of independent directors. The Board of Directors has determined that each of the five non-management members of the Board meets 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 of Directors, therefore the independent directors constitute a supermajority of the Board. Pursuant to the Bylaws of the Company, the Board of Directors 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.

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