

RESOURCES CONNECTION INC
Form 10-Q
April 09, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 0-32113

RESOURCES CONNECTION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware **33-0832424**
(State or Other Jurisdiction of **(I.R.S. Employer**
Incorporation or Organization) **Identification No.)**
17101 Armstrong Avenue, Irvine, California 92614
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (714) 430-6400

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of March 30, 2015, there were approximately 37,573,387 shares of the registrant's common stock, \$0.01 par value per share, outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****RESOURCES CONNECTION, INC.****CONSOLIDATED BALANCE SHEETS****(Unaudited)****(Amounts in thousands, except par value per share)**

	February 28, 2015	May 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 67,335	\$ 80,291
Short-term investments	24,991	33,986
Trade accounts receivable, net of allowance for doubtful accounts of \$3,454 and \$3,139 as of February 28, 2015 and May 31, 2014, respectively	98,216	90,334
Prepaid expenses and other current assets	4,530	4,876
Income taxes receivable	3,105	
Deferred income taxes	7,913	7,975
Total current assets	206,090	217,462
Goodwill	171,280	175,427
Intangible assets, net	120	1,031
Property and equipment, net	21,931	23,158
Deferred income taxes	475	672
Other assets	2,119	2,328
Total assets	\$ 402,015	\$ 420,078
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,295	\$ 14,031
Accrued salaries and related obligations	36,230	45,567
Other liabilities	6,720	7,577
Total current liabilities	55,245	67,175
Other long-term liabilities	6,873	7,142
Total liabilities	62,118	74,317
Commitments and contingencies		
Stockholders equity:		

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Preferred stock, \$0.01 par value, 5,000 shares authorized; zero shares issued and outstanding

Common stock, \$0.01 par value, 70,000 shares authorized; 57,419 and 56,738 shares issued, and 37,568 and 38,158 shares outstanding as of February 28, 2015 and May 31, 2014, respectively

	574	567
Additional paid-in capital	372,159	360,445
Accumulated other comprehensive loss	(10,157)	(2,573)
Retained earnings	308,142	298,830
Treasury stock at cost, 19,851 and 18,580 shares at February 28, 2015 and May 31, 2014, respectively	(330,821)	(311,508)
Total stockholders' equity	339,897	345,761
Total liabilities and stockholders' equity	\$ 402,015	\$ 420,078

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RESOURCES CONNECTION, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Amounts in thousands, except per share amounts)**

	Three Months Ended		Nine Months Ended	
	February 28,	February 22,	February 28,	February 22,
	2015	2014	2015	2014
Revenue	\$ 146,832	\$ 132,725	\$ 441,775	\$ 410,398
Direct cost of services, primarily payroll and related taxes for professional services employees	91,991	84,960	271,274	255,518
Gross margin	54,841	47,765	170,501	154,880
Selling, general and administrative expenses	43,478	41,604	131,333	126,337
Amortization of intangible assets	62	424	888	1,262
Depreciation expense	839	877	2,542	2,747
Income from operations	10,462	4,860	35,738	24,534
Interest income	(37)	(41)	(114)	(123)
Income before provision for income taxes	10,499	4,901	35,852	24,657
Provision for income taxes	4,510	2,622	16,452	11,630
Net income	\$ 5,989	\$ 2,279	\$ 19,400	\$ 13,027
Net income per common share:				
Basic	\$ 0.16	\$ 0.06	\$ 0.51	\$ 0.33
Diluted	\$ 0.16	\$ 0.06	\$ 0.51	\$ 0.33
Weighted average common shares outstanding:				
Basic	37,724	39,027	37,938	39,444
Diluted	38,288	39,158	38,300	39,519
Cash dividends declared per common share	\$ 0.08	\$ 0.07	\$ 0.24	\$ 0.21

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RESOURCES CONNECTION, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)****(Amounts in thousands)**

	Three Months Ended		Nine Months Ended	
	February 28,	February 22,	February 28,	February 22,
	2015	2014	2015	2014
COMPREHENSIVE INCOME:				
Net income	\$ 5,989	\$ 2,279	\$ 19,400	\$ 13,027
Foreign currency translation adjustment, net of tax	(3,577)	165	(7,584)	1,406
Total comprehensive income	\$ 2,412	\$ 2,444	\$ 11,816	\$ 14,433

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RESOURCES CONNECTION, INC.****CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY****(Unaudited)****(Amounts in thousands)**

	Nine Months Ended February 28, 2015
COMMON STOCK-SHARES:	
Balance at beginning of period	56,738
Exercise of stock options	339
Issuance of restricted stock	6
Cancellation of shares	(1)
Issuance of common stock under Employee Stock Purchase Plan	337
Balance at end of period	57,419
COMMON STOCK-PAR VALUE:	
Balance at beginning of period	\$ 567
Exercise of stock options	3
Issuance of common stock under Employee Stock Purchase Plan	4
Balance at end of period	\$ 574
ADDITIONAL PAID-IN CAPITAL:	
Balance at beginning of period	\$ 360,445
Exercise of stock options	4,393
Stock-based compensation expense related to share-based awards and employee stock purchases	4,627
Tax shortfall from employee stock option plans	(1,074)
Issuance of common stock under Employee Stock Purchase Plan	3,768
Balance at end of period	\$ 372,159
ACCUMULATED OTHER COMPREHENSIVE LOSS:	
Balance at beginning of period	\$ (2,573)
Foreign currency translation adjustment, net of tax	(7,584)
Balance at end of period	\$ (10,157)
RETAINED EARNINGS:	
Balance at beginning of period	\$ 298,830
Cash dividends (\$0.24 per share)	(9,062)

Issuance of restricted stock		(1,026)
Net income		19,400
Balance at end of period	\$	308,142
TREASURY STOCK-SHARES:		
Balance at beginning of period		18,580
Issuance of restricted stock		(44)
Purchase of shares		1,315
Balance at end of period		19,851
TREASURY STOCK-COST:		
Balance at beginning of period	\$	(311,508)
Issuance of restricted stock		1,026
Purchase of shares		(20,339)
Balance at end of period	\$	(330,821)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**RESOURCES CONNECTION, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Amounts in thousands)**

	Nine Months Ended	
	February 28, 2015	February 22, 2014
Cash flows from operating activities:		
Net income	\$ 19,400	\$ 13,027
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,430	4,009
Stock-based compensation expense	4,627	4,879
Excess tax benefits from stock-based compensation	(82)	(31)
Loss on disposal of assets	9	64
Bad debt expense	212	
Deferred income taxes	2,123	(704)
Changes in operating assets and liabilities:		
Trade accounts receivable	(11,130)	(4,325)
Prepaid expenses and other current assets	86	218
Income taxes	(4,911)	(1,752)
Other assets	121	59
Accounts payable and accrued expenses	(943)	38
Accrued salaries and related obligations	(8,492)	(1,093)
Other liabilities	(1,645)	(723)
Net cash provided by operating activities	2,805	13,666
Cash flows from investing activities:		
Redemption of short-term investments	44,000	55,000
Purchase of short-term investments	(35,005)	(62,988)
Purchase of property and equipment	(1,603)	(3,102)
Net cash provided by (used in) investing activities	7,392	(11,090)
Cash flows from financing activities:		
Proceeds from exercise of stock options	4,396	3,694
Proceeds from issuance of common stock under Employee Stock Purchase Plan	3,772	3,451
Purchase of common stock	(20,339)	(21,631)
Cash dividends paid	(8,743)	(7,912)
Excess tax benefits from stock-based compensation	82	31
Net cash used in financing activities	(20,832)	(22,367)

Effect of exchange rate changes on cash	(2,321)	114
Net decrease in cash	(12,956)	(19,677)
Cash and cash equivalents at beginning of period	80,291	94,016
Cash and cash equivalents at end of period	\$ 67,335	\$ 74,339

The accompanying notes are an integral part of these consolidated financial statements.

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RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and nine months ended February 28, 2015 and February 22, 2014

1. Description of the Company and its Business

Resources Connection, Inc. (Resources Connection), a Delaware corporation, was incorporated on November 16, 1998. Resources Connection is a multinational professional services firm; its operating entities primarily provide services under the name Resources Global Professionals (RGP or the Company). The Company is organized around client service teams utilizing experienced professionals and provides consulting and business support services in the areas of accounting; finance; corporate governance, risk and compliance management; corporate advisory, strategic communications and restructuring; information management; human capital; supply chain management; healthcare solutions; and legal and regulatory services. The Company has offices in the United States (U.S.), Asia, Australia, Canada, Europe and Mexico.

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The third quarters of fiscal 2015 and 2014 consisted of 13 weeks each.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three and nine months ended February 28, 2015 and February 22, 2014 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of its financial position at such dates and the operating results and cash flows for those periods. The fiscal 2014 year-end balance sheet data was derived from audited financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP) have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules or regulations; however, the Company believes the disclosures made are adequate to make the information presented not misleading.

The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for the fiscal year. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 31, 2014, which are included in the Company's Annual Report on Form 10-K for the year then ended (File No. 0-32113).

Cash, Cash Equivalents and Short-Term Investments

The Company considers cash on hand, deposits in banks, and short-term investments purchased with an original maturity date of three months or less to be cash and cash equivalents. The carrying amounts reflected in the consolidated balance sheets for cash, cash equivalents and short-term investments approximate the fair values due to the short maturities of these instruments.

Client Reimbursements of Out-of-Pocket Expenses

The Company recognizes all reimbursements received from clients for out-of-pocket expenses as revenue and all such expenses as direct cost of services. Reimbursements received from clients were \$2.4 million and \$2.1 million for the three months ended February 28, 2015 and February 22, 2014, respectively, and \$7.6 million and \$6.3 million for the nine months ended February 28, 2015 and February 22, 2014, respectively.

Foreign Currency Translation

The financial statements of subsidiaries outside the U.S. are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rates effective at the end of the period, income and expense items are translated at average exchange rates prevailing during the period and the related translation adjustments are recorded as a component of accumulated other comprehensive income or loss within the Consolidated Balance Sheets. Gains and losses from foreign currency transactions are included in the Consolidated Statements of Operations.

Net Income Per Share Information

The Company presents both basic and diluted earnings per common share (EPS). Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the period, calculated using the treasury stock method for stock options. Under the treasury stock method, assumed proceeds include the amount the employee must pay for exercising stock options, the amount of compensation cost for future services that the Company has not yet recognized and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price per common share over the period are anti-dilutive and are excluded from the calculation.

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The following table summarizes the calculation of net income per common share for the periods indicated (amounts in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	February 28, 2015	February 22, 2014	February 28, 2015	February 28, 2015
Net income	\$ 5,989	\$ 2,279	\$ 19,400	\$ 13,027
Basic:				
Weighted average shares	37,724	39,027	37,938	39,444
Diluted:				
Weighted average shares	37,724	39,027	37,938	39,444
Potentially dilutive shares	564	131	362	75
Total dilutive shares	38,288	39,158	38,300	39,519
Net income per common share:				
Basic	\$ 0.16	\$ 0.06	\$ 0.51	\$ 0.33
Dilutive	\$ 0.16	\$ 0.06	\$ 0.51	\$ 0.33
Anti-dilutive shares not included above	4,828	7,658	6,318	8,127

Stock-Based Compensation

The Company recognizes compensation expense for all share-based awards made to employees and directors, including employee stock options, restricted stock grants and employee stock purchases made via the Company's Employee Stock Purchase Plan (the "ESPP"), based on estimated fair value at the date of grant.

The Company estimates the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods. Stock option awards vest over four years and restricted stock award vesting is determined on an individual grant basis under the Company's 2014 Performance Incentive Plan ("2014 Plan"). The Company determines the estimated value of stock option awards using the Black-Scholes valuation model. The Company recognizes stock-based compensation expense on a straight-line basis over the service period for options and restricted stock that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

See Note 7 *Stock-Based Compensation Plans* for further information on the 2014 Plan and stock-based compensation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates and assumptions are adequate, actual results could differ from the estimates and assumptions used.

3. Intangible Assets and Goodwill

The following table presents details of the Company's gross intangible asset balances, accumulated amortization balances and range of estimated lives (amounts in thousands):

	As of February 28, 2015			As of May 31, 2014		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer relationships (2-7 years)	\$ 17,163	\$ (17,163)	\$	\$ 18,286	\$ (17,794)	\$ 492
Non-compete agreements (1-5 years)	3,191	(3,191)		3,232	(2,937)	295
Trade name and trademark (5 years)	1,341	(1,221)	120	1,341	(1,097)	244
Total	\$ 21,695	\$ (21,575)	\$ 120	\$ 22,859	\$ (21,828)	\$ 1,031

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The following table summarizes amortization expense for the three and nine months ended February 28, 2015 and February 22, 2014 and the expected amount of intangible asset amortization expense (based on existing intangible assets account balances) for the fiscal years ending May 30, 2015, May 28, 2016, May 27, 2017, May 26, 2018 and May 25, 2019 (amounts in thousands):

	Three Months Ended		Nine Months Ended		
	February 28, 2015	February 22, 2014	February 28, 2015	February 22, 2014	
Amortization expense	\$ 62	\$ 424	\$ 888	\$ 1,262	

	Fiscal Years Ending				
	2015	2016	2017	2018	2019
Expected amortization expense	\$ 918	\$ 90	\$	\$	\$

The estimates of expected amortization expense do not incorporate the potential impact of future foreign currency fluctuations caused when translating the financial results of the Company's international operations that have amortizable intangible assets into U.S. dollars. The fluctuation in the gross balance of intangible assets as of February 28, 2015 as compared to May 31, 2014 reflects the impact of currency fluctuations between fiscal 2015 and 2014 in translating the intangible balances recorded on the Company's international operations financial statements.

The following table summarizes the activity in the Company's goodwill balance (amounts in thousands):

	For the Nine Months Ended	
	February 28, 2015	February 22, 2014
Goodwill, beginning of year	\$ 175,427	\$ 174,275
Impact of foreign currency exchange rate changes	(4,147)	1,340
Goodwill, end of period	\$ 171,280	\$ 175,615

4. Income Taxes

The Company's provision for income taxes was \$4.5 million (effective tax rate of approximately 43%) and \$2.6 million (effective tax rate of approximately 53%) for the three months ended February 28, 2015 and February 22, 2014, respectively, and \$16.5 million (effective tax rate of approximately 46%) and \$11.6 million (effective tax rate of approximately 47%) for the nine months ended February 28, 2015 and February 22, 2014, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations which span numerous tax jurisdictions.

The provision for income taxes in the third quarter of fiscal 2015 and 2014 results from taxes on income in the U.S. and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. Both the three and nine months ended February 28,

2015 benefited from an increase in U.S. income and a decrease in foreign losses without any tax benefit because of the valuation allowances placed on the tax assets of the Company's foreign subsidiaries. During the nine months ended February 22, 2014, the effective tax rate benefited from the reversal of \$670,000 of uncertain international tax accruals; there was no benefit from uncertain international tax accruals adjustments recognized in fiscal 2015.

In addition, the Company's effective tax rate is further impacted by the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying incentive stock option (ISO) exercises. The Company cannot recognize a tax benefit for the stock compensation expense related to certain ISO exercises unless and until the holder exercises his or her option and then sells the shares within a certain period of time. Also, the Company can only recognize a potential tax benefit for employees' acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. The Company recognized a benefit of approximately \$703,000 and \$505,000 related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the three months ended February 28, 2015 and February 22, 2014, respectively, and \$1,763,000 and \$1,599,000 for the nine months ended February 28, 2015 and February 22, 2014, respectively.

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In April 2011, the Company's board of directors approved a stock repurchase program, authorizing the repurchase, at the discretion of the Company's senior executives, of the Company's common stock for an aggregate dollar limit not to exceed \$150 million. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan. During the three and nine months ended February 28, 2015, the Company purchased approximately 408,000 and 1,315,000 shares of its common stock on the open market at an average price of \$17.25 and \$15.47 per share, respectively, for approximately \$7.0 million and \$20.3 million, respectively. As of February 28, 2015, approximately \$22.7 million remains available for future repurchases of the Company's common stock under the stock repurchase program.

6. Supplemental Disclosure of Cash Flow Information

The following table presents non-cash investing and financing activities (amounts in thousands):

	For the Nine Months Ended	
	February 28, 2015	February 22, 2014
Dividends declared, not paid	\$ 3,005	\$ 2,713
Capitalized leasehold improvements paid directly by landlord	72	1,824

7. Stock-Based Compensation Plans***Stock Options and Restricted Stock***

The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2014 Plan equals: (1) 2,400,000 shares, plus (2) the number of shares subject to stock options granted under the Resources Connection, Inc. 2004 Performance Incentive Plan and the 1999 Long Term Incentive Plan (the "Prior Stock Plans") and outstanding as of September 3, 2014 (the date at which the Prior Stock Plans terminated), which expire, or for any reason are cancelled or terminated, after that date without being exercised, plus (3) the number of shares subject to restricted stock, restricted stock unit and other full-value awards granted under the Prior Stock Plans that are outstanding and unvested as of September 3, 2014, which are forfeited, terminated, cancelled, or otherwise reacquired after that date without having become vested. As of February 28, 2015, there were 3,289,000 shares available for future award grants under the 2014 Plan.

Awards under the 2014 Plan may include, but are not limited to, stock options and restricted stock grants. Stock option grants generally vest in equal annual installments over four years and terminate ten years from the date of grant. Restricted stock award vesting is determined on an individual grant basis. Awards of restricted stock under the 2014 Plan will be counted against the available share limit as two and a half shares for every one share actually issued in connection with the award. The Company's policy is to issue shares from its authorized shares upon the exercise of stock options. The following table summarizes the stock option activity for the nine months ended February 28, 2015 (number of shares under option and aggregate intrinsic value in thousands):

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Options outstanding at May 31, 2014	7,696	\$ 18.93	5.21	\$ 1,611
Granted, at fair market value	1,496	12.50		
Exercised	(339)	12.96		
Forfeited	(210)	12.57		
Expired	(768)	24.01		
Options outstanding at February 28, 2015	7,875	\$ 17.64	5.57	\$ 21,045
Exercisable at February 28, 2015	4,946	\$ 20.61	3.87	\$ 5,862
Vested and expected to vest at February 28, 2015	7,570	\$ 17.85	5.43	\$ 19,433

During the third quarter of fiscal 2015, the Company granted stock options to purchase 109,000 shares of common stock at an exercise price of \$16.08 per share.

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The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company's closing stock price on the last trading day of the third quarter of fiscal 2015 and the exercise price multiplied by the number of shares that would have been received by the option holders if they had exercised their in the money options on February 28, 2015. This amount will change based on changes in the fair market value of the Company's common stock. The aggregate intrinsic value of stock options exercised for the three months ended February 28, 2015 and February 22, 2014 was \$481,000 and \$35,000, respectively, and for the nine months ended February 28, 2015 and February 22, 2014 was \$998,000 and \$336,000, respectively.

Stock-Based Compensation Expense

As of February 28, 2015, there was \$8.6 million of total unrecognized compensation cost related to non-vested employee stock options granted. That cost is expected to be recognized over a weighted-average period of 33 months. Stock-based compensation expense included in selling, general and administrative expenses for the three months ended February 28, 2015 and February 22, 2014 was \$1.5 million and \$1.6 million, respectively, and for the nine months ended February 28, 2015 and February 22, 2014 was \$4.6 million and \$4.9 million, respectively; this consisted of stock-based compensation expense related to employee stock options, employee stock purchases made via the Company's ESPP and restricted stock awards. There were no capitalized share-based compensation costs during the nine months ended February 28, 2015 and February 22, 2014.

The weighted average estimated fair value per share of employee stock options granted during the three months ended February 28, 2015 was \$4.71 using the Black-Scholes valuation model with the following assumptions:

	For the Three Months Ended February 28, 2015
Expected volatility	36.2%
Risk-free interest rate	1.7%
Expected dividends	1.9%
Expected life	5.5 years

The Company granted 43,526 shares and 49,840 shares of restricted stock during the three and nine months ended February 28, 2015, respectively, and 29,491 shares and 34,632 shares of restricted stock during the three and nine months ended February 22, 2014, respectively. Stock-based compensation expense for restricted stock awards for the three months ended February 28, 2015 and February 22, 2014 was \$149,000 and \$116,000, respectively, and for the nine months ended February 28, 2015 and February 22, 2014 was \$390,000 and \$289,000, respectively. There were 98,092 unvested restricted shares, with approximately \$1.3 million of remaining unrecognized compensation cost, as of February 28, 2015.

The Company recognizes compensation expense for only the portion of stock options and restricted stock that is expected to vest, rather than recording forfeitures when they occur. If the actual number of forfeitures differs from that estimated by management, additional adjustments to compensation expense may be required in future periods.

The Company reflects, in its Consolidated Statements of Cash Flows, the tax impact resulting from tax deductions in excess of expense recognized in its Consolidated Statements of Operations as a financing cash flow, which will impact the Company's future reported cash flows from operating activities. Gross excess tax benefits totaled \$82,000 and \$31,000 for the nine months ended February 28, 2015 and February 22, 2014, respectively.

Employee Stock Purchase Plan

The Company's ESPP allows qualified employees (as defined in the ESPP) to purchase designated shares of the Company's common stock at a price equal to 85% of the lesser of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The ESPP's term expires October 16, 2024. A total of 5,900,000 shares of common stock may be issued under the ESPP. There were 1,602,000 shares of common stock available for issuance under the ESPP as of February 28, 2015. The Company issued 337,000 and 348,000 shares of common stock pursuant to the ESPP for the nine months ended February 28, 2015 and the year ended May 31, 2014, respectively.

Table of Contents**8. Segment Information and Enterprise Reporting**

The Company discloses information regarding operations outside of the U.S. The Company operates as one segment. The accounting policies for the domestic and international operations are the same as those described in Note 2 *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in the Company's 2014 Annual Report on Form 10-K for the fiscal year ended May 31, 2014. Summarized information regarding the Company's domestic and international operations is shown in the following table (amounts in thousands):

	Revenue for the Three Months Ended		Revenue for the Nine Months Ended		Long-Lived Assets (1) as of	
	February 28, 2015	February 22, 2014	February 28, 2015	February 22, 2014	February 28, 2015	May 31, 2014
United States	\$ 121,297	\$ 103,408	\$ 359,340	\$ 318,458	\$ 172,557	\$ 173,656
The Netherlands	3,443	5,130	12,449	16,934	18,000	22,541
Other	22,092	24,187	69,986	75,006	2,774	3,419
Total	\$ 146,832	\$ 132,725	\$ 441,775	\$ 410,398	\$ 193,331	\$ 199,616

(1) Long-lived assets are comprised of goodwill, intangible assets and property and equipment.

9. Legal Proceedings

The Company is involved in certain legal matters arising in the ordinary course of business. In the opinion of management, all such matters, if disposed of unfavorably, would not have a material adverse effect on the Company's financial position, cash flows or results of operations.

10. Recent Accounting Pronouncements

Business Combinations: Pushdown Accounting. In November 2014, the Financial Accounting Standards Board (FASB) issued new guidance which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information that users need to evaluate the effects of pushdown accounting on its financial statements. This guidance was effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available for issuance, the application of this guidance would be a change in accounting principle. The Company will utilize this guidance in future acquisitions.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. In August 2014, the FASB issued new guidance regarding management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. The guidance is effective for the Company for fiscal 2017 with early adoption permitted. The Company does not believe adoption of this guidance will have a material impact on its consolidated financial statements.

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. In June 2014, the FASB issued new guidance requiring that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. The guidance is effective for the Company for fiscal 2017 with early adoption permitted. The Company does not currently have performance based awards and thus does not believe adoption of this guidance will have a material impact on its consolidated financial statements.

Revenue from Contracts with Customers. In May 2014, the FASB issued a comprehensive new revenue recognition standard that will supersede most existing revenue recognition guidance and is intended to improve and converge revenue recognition and related financial reporting requirements. The standard will require companies to review contract arrangements with customers and ensure all separate performance obligations are properly recognized in compliance with the new guidance. The standard is effective for the Company beginning in fiscal 2018 with early adoption prohibited. The standard allows for either full retrospective adoption, meaning the standard is applied to all periods presented, or cumulative effect adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Company is currently assessing whether the adoption of the guidance will have a material impact on its consolidated financial statements.

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Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. In April 2014, the FASB issued new guidance regarding the criteria for reporting discontinued operations and enhancing disclosures in this area. Under the guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. In addition, the guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in the guidance are effective for the Company for fiscal 2015. The adoption of this guidance did not impact the Company's consolidated financial statements.

Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. In July 2013, the FASB issued new guidance which requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, similar tax loss, or a tax credit carryforward. To the extent the tax benefit is not available at the reporting date under the governing tax law or if the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented as a liability and not combined with deferred tax assets. The guidance is effective for annual periods, and interim periods within those years, beginning after December 15, 2013. The amendments are to be applied to all unrecognized tax benefits that exist as of the effective date and may be applied retrospectively to each prior reporting period presented. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries. In March 2013, the FASB issued new guidance on a parent's accounting for the cumulative translation adjustment upon derecognition of a subsidiary or group of assets within a foreign entity. This guidance requires that the parent release any related cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company's results of operations, financial position or cash flows.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes. This discussion and analysis contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to expectations concerning matters that are not historical facts. Such forward-looking statements may be identified by words such as anticipates, believes, can, continue, could, estimates, expects, intends, may, plans, potential, predicts, or the negative of these terms or other comparable terminology. These statements, and all phases of our operations, are subject to known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievements and those of our industry to differ materially from those expressed or implied by these forward-looking statements. You are urged to carefully review the disclosures we make concerning risks, uncertainties and other factors that may affect our business or operating results, including those identified in Part II, Item 1A.-Risk Factors below and in our Annual Report on Form 10-K for the year ended May 31, 2014 (File No. 0-32113). Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business or operating results. Readers are cautioned not to place undue reliance on the forward-looking statements included herein, which speak only as the date of this filing. We do not intend, and undertake no obligation, to update the forward-looking statements in this filing to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events, unless required by law to do so. References in this filing to Resources Connection, RGP, Resources Global Professionals, Resources Global, the Company, we, us, and us, to Resources Connection, Inc. and its subsidiaries.

Overview

Resources Global Professionals (RGP) is a multinational consulting firm that provides consulting and business initiative support services to its global client base in the areas of accounting; finance; corporate governance, risk and compliance management; corporate advisory, strategic communications and restructuring; information management; human capital; supply chain management; healthcare solutions; and legal and regulatory services. We assist our clients with projects requiring specialized expertise in:

Finance and accounting services including process transformation and improvement; financial reporting and analysis; technical and operational accounting; merger and acquisition due diligence; audit response; implementation of new accounting standards such as the new revenue recognition pronouncement; and remediation support;

Information management services including strategy development; program and project management; business and technology integration; data strategy, including data security and privacy; and business performance management;

Corporate advisory, strategic communications and restructuring services;

Corporate governance, risk and compliance management services including contract and regulatory compliance efforts under, for example, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes Oxley Act of 2002 (Sarbanes); Enterprise Risk Management; internal controls management; and operation and IT audits;

Supply chain management services including supply chain strategy development; procurement and supplier management; logistics and materials management; supply chain planning and forecasting; and Conflict Minerals and Unique Device Identification compliance;

Human capital services including change management; organization development and effectiveness; and optimization of human resources technology and operations; and

Legal and regulatory services with projects, secondments or major events needs including commercial transactions; compliance initiatives; law department operations and business strategy; and litigation support. We were founded in June 1996 by a team at Deloitte, led by our executive chairman, Donald B. Murray, who was then a senior partner with Deloitte. Our founders created Resources Connection to capitalize on the increasing demand for high quality outsourced professional services. We operated as a part of Deloitte from our inception in June 1996 until April 1999. In April 1999, we completed a management-led buyout in partnership with several investors. In December 2000, we completed our initial public offering of common stock and began trading on the NASDAQ Stock Market. We currently trade on the NASDAQ Global Select Market under the ticker symbol **RECN** . In January 2005, we announced the change of our operating entity name to Resources Global Professionals to better reflect the Company's multinational capabilities, and during fiscal 2013, we redesigned our logo and adopted the acronym RGP for branding and marketing purposes.

We operated solely in the United States until fiscal year 2000, when we opened our first three international offices and began to expand geographically to meet the demand for project professional services across the world. As of February 28, 2015, we served clients from offices in 20 countries, including 23 international offices and 45 offices in the United States. Our global footprint allows the Company to support the global initiatives of our multinational client base.

Table of Contents**Critical Accounting Policies**

The following discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The following represents a summary of our critical accounting policies, defined as those policies that we believe: (a) are the most important to the portrayal of our financial condition and results of operations and (b) involve inherently uncertain issues that require management's most difficult, subjective or complex judgments. There have been no material changes in our critical accounting policies, or in the estimates and assumptions underlying those policies, from those described in our Annual Report on Form 10-K for the year ended May 31, 2014, except that we have discontinued the disclosures related to contingent consideration as we currently have no obligations related to contingent purchase price consideration.

Valuation of long-lived assets We assess the potential impairment of long-lived tangible and intangible assets periodically or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our goodwill and certain other intangible assets are not subject to periodic amortization. These assets are considered to have an indefinite life and their carrying values are required to be assessed by us for impairment at least annually. Depending on future market value of our stock, our operating performance and other factors, these assessments could potentially result in impairment reductions of these intangible assets in the future and this adjustment may materially affect the Company's future financial results and financial condition.

Allowance for doubtful accounts We maintain an allowance for doubtful accounts for estimated losses resulting from our clients failing to make required payments for services rendered. We estimate this allowance based upon our knowledge of the financial condition of our clients (which may not include knowledge of all significant events), review of historical receivable and reserve trends and other pertinent information. While such losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of our clients could cause unfavorable trends in receivable collections and additional allowances may be required. These additional allowances could materially affect the Company's future financial results.

Income taxes In order to prepare our Consolidated Financial Statements, we are required to make estimates of income taxes, if applicable, in each jurisdiction in which we operate. The process incorporates an assessment of any current tax exposure together with temporary differences resulting from different treatment of transactions for tax and financial statement purposes. These differences result in deferred tax assets and liabilities that are included in our Consolidated Balance Sheets. The recovery of deferred tax assets from future taxable income must be assessed and, to the extent recovery is not likely, we will establish a valuation allowance. An increase in the valuation allowance results in recording additional tax expense and any such adjustment may materially affect the Company's future financial result. If the ultimate tax liability differs from the amount of tax expense we have reflected in the Consolidated Statements of Operations, an adjustment of tax expense may need to be recorded and this adjustment may materially affect the Company's future financial results and financial condition.

Revenue recognition We primarily charge our clients on an hourly basis for the professional services of our consultants. We recognize revenue once services have been rendered and invoice the majority of our clients in the United States on a weekly basis. Some of our clients served by our international operations are billed on a monthly

basis. Our clients are contractually obligated to pay us for all hours billed. To a much lesser extent, we also earn revenue if a client hires one of our consultants. This type of contractually non-refundable revenue is recognized at the time our client completes the hiring process.

Stock-based compensation Under our 2014 Performance Incentive Plan, officers, employees, and outside directors have received or may receive grants of restricted stock, stock units, options to purchase common stock or other stock or stock-based awards. Under our Employee Stock Purchase Plan (ESPP), eligible officers and employees may purchase our common stock in accordance with the terms of the plan.

The Company estimates a value for employee stock options on the date of grant using an option-pricing model. We have elected to use the Black-Scholes valuation option-pricing model which takes into account assumptions regarding a number of highly complex and subjective variables. These variables include the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. Additional variables to be considered are the expected term, expected dividends and the risk-free interest rate over the expected term of our employee stock options. In addition, because stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. Forfeitures must be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If facts and circumstances change and we employ different assumptions in future periods, the compensation expense recorded may differ materially from the amount recorded in the current period.

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The Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The impact of dividends (for example, \$0.08 per share for the first three quarters of fiscal 2015 and \$0.07 per share for each quarter of fiscal 2014) is also incorporated in determining the estimated value per share of employee stock option grants. Such dividends are subject to quarterly declaration by our board of directors. The Company's historical expected life of stock option grants is 5.5 years for non-officers and 7.5 years for officers. The Company reviews the underlying assumptions related to stock-based compensation at least annually.

We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Results of Operations

The following tables set forth, for the periods indicated, our Consolidated Statements of Operations data. These historical results are not necessarily indicative of future results.

	Three Months Ended		Nine Months Ended	
	February 28, 2015	February 22, 2014	February 28, 2015	February 22, 2014
	(Amounts in thousands)		(Amounts in thousands)	
Revenue	\$ 146,832	\$ 132,725	\$ 441,775	\$ 410,398
Direct cost of services	91,991	84,960	271,274	255,518
Gross margin	54,841	47,765	170,501	154,880
Selling, general and administrative expenses	43,478	41,604	131,333	126,337
Amortization of intangible assets	62	424	888	1,262
Depreciation expense	839	877	2,542	2,747
Income from operations	10,462	4,860	35,738	24,534
Interest income	(37)	(41)	(114)	(123)
Income before provision for income taxes	10,499	4,901	35,852	24,657
Provision for income taxes	4,510	2,622	16,452	11,630
Net income	\$ 5,989	\$ 2,279	\$ 19,400	\$ 13,027

We also assess the results of our operations using EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin. EBITDA is defined as our earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA plus stock-based compensation expense. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenue. These measures assist management in assessing our core operating performance. The following table presents EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin for the periods indicated and includes a reconciliation of such measures to net income, the most directly comparable GAAP financial measure:

	Three Months Ended		Nine Months Ended	
	February 28, 2015	February 22, 2014	February 28, 2015	February 22, 2014
	(Amounts in thousands)		(Amounts in thousands)	
Net income	\$ 5,989	\$ 2,279	\$ 19,400	\$ 13,027
Adjustments:				
Amortization of intangible assets	62	424	888	1,262
Depreciation expense	839	877	2,542	2,747
Interest income	(37)	(41)	(114)	(123)
Provision for income taxes	4,510	2,622	16,452	11,630
EBITDA	11,363	6,161	39,168	28,543
Stock-based compensation expense	1,523	1,601	4,627	4,879
Adjusted EBITDA	\$ 12,886	\$ 7,762	\$ 43,795	\$ 33,422
Revenue	\$ 146,832	\$ 132,725	\$ 441,775	\$ 410,398
Adjusted EBITDA Margin	8.8%	5.8%	9.9%	8.1%

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The financial measures and key performance indicators we use to assess our financial and operating performance above are not defined by, or calculated in accordance with, GAAP. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that (i) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the comparable measure calculated and presented in accordance with GAAP in the Consolidated Statements of Operations; or (ii) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the comparable measure so calculated and presented.

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to our investors because they are financial measures used by management to assess the core performance of the Company. EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not measurements of financial performance or liquidity under GAAP and should not be considered in isolation or construed as substitutes for net income or other cash flow data prepared in accordance with GAAP for purposes of analyzing our profitability or liquidity. These measures should be considered in addition to, and not as a substitute for, net income, earnings per share, cash flows or other measures of financial performance prepared in conformity with GAAP.

Further, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin have the following limitations:

Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;

Equity based compensation is an element of our long-term incentive compensation program, although we exclude it as an expense from Adjusted EBITDA when evaluating our ongoing operating performance for a particular period; and

Other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDA Margin differently than we do, limiting their usefulness as comparative measures.

Due to these limitations, EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin should not be considered a substitute for performance measures calculated in accordance with GAAP.

Three Months Ended February 28, 2015 Compared to Three Months Ended February 22, 2014

Computations of percentage change period over period are based upon our results, as rounded and presented herein.

Revenue. Revenue increased \$14.1 million, or 10.6%, to \$146.8 million for the three months ended February 28, 2015 from \$132.7 million for the three months ended February 22, 2014. We deliver our services to clients in a similar fashion across the globe. In the third quarter of fiscal 2015 as compared to the same period of fiscal 2014, revenue increased in North America by 17.1% and Asia Pacific by 15.0% but declined in Europe by 28.0%. In light of continuing global economic uncertainty, we believe that certain geographic sectors of our global clients and prospects are initiating operational improvement projects cautiously, resulting in reduced levels of consulting spending, particularly in most European markets. We have taken actions during the last several quarters, including reductions in the number of personnel serving Europe as well as changes in leadership positions, to address the decrease in revenue

in Europe.

Our quarter-over-quarter consolidated revenue is not directly comparable as the prior year third quarter included the Thanksgiving holiday. Thanksgiving fell in the second quarter of fiscal 2015. We believe the shift in the observance of the Thanksgiving holiday from the third quarter of fiscal 2015 increased revenue in North America by \$4.0 million as compared to the second quarter of fiscal 2014. Excluding this amount, consolidated revenue would have increased approximately 7.6% for the three months ended February 28, 2015 as compared to the prior year's third quarter.

The number of hours worked in the third quarter of fiscal 2015 increased approximately 15.6% compared with the prior year third quarter while average bill rates were down 4.0%. Average bill rates (and related pay rates) were partially impacted this quarter by the strengthening of the U.S. dollar compared to the Euro, Swedish Krona and Japanese Yen; bill rates (and related pay rates) were also adversely impacted by a significant client engagement in the Philippines where bill rates (and related pay rates) are lower than most metropolitan areas.

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates in effect during each quarter. Thus, if the value of the United States dollar strengthens relative to the currencies of our non-United States based operations, our translated revenue (and expenses) will be lower. Using the comparable third quarter fiscal 2014 conversion rates, international revenues would have been higher than reported under GAAP by \$2.9 million in the third quarter of fiscal 2015. Using these constant currency rates, the increase in revenue in North America and Asia Pacific would have been 17.5% and 22.5%, respectively, while the decline in Europe would have been 17.1%.

The number of consultants on assignment as of February 28, 2015 was 2,577 compared to 2,346 consultants engaged as of February 22, 2014.

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We operated 68 (23 abroad) and 71 (25 abroad) offices as of February 28, 2015 and February 22, 2014, respectively; the decrease quarter-over-quarter is a result of consolidating certain offices. Our clients do not sign long-term contracts with us. As such, there can be no assurance as to future demand levels for the services that we provide or that future results can be reliably predicted by considering past trends.

Revenue for the Company's practice areas across the globe consisted of the following (dollars in thousands):

	Revenue for the Three Months Ended			% of Total	
	February 28, 2015	February 22, 2014	% Change	February 28, 2015	February 22, 2014
North America	\$ 124,132	\$ 105,979	17.1%	84.5%	79.9%
Europe	13,486	18,732	(28.0)%	9.2	14.1
Asia Pacific	9,214	8,014	15.0%	6.3	6.0
Total	\$ 146,832	\$ 132,725	10.6%	100.0%	100.0%

Direct Cost of Services. Direct cost of services increased \$7.0 million, or 8.2%, to \$92.0 million for the three months ended February 28, 2015 from \$85.0 million for the three months ended February 22, 2014. The increase in the amount of direct cost of services was attributable to a 15.6% increase in the number of hours worked in the third quarter of fiscal 2015 as compared to the same period of fiscal 2014, partially offset by a 7.8% decrease in the average pay rate per hour between the two quarters. Pay rates were negatively impacted this quarter by the strengthening of the U.S. dollar compared to the Euro, Swedish Krona and Japanese Yen; pay rates were also impacted by a significant client engagement in the Philippines where pay rates are lower than most metropolitan areas.

The direct cost of services percentage of revenue was 62.7% and 64.0% for the three months ended February 28, 2015 and February 22, 2014, respectively. The direct cost of services percentage of revenue was lower in the third quarter because of an improvement in the bill rate/pay rate ratio in the third quarter of fiscal 2015. In addition, there was one less paid holiday in fiscal 2015 as the Thanksgiving holiday fell in the second quarter of fiscal 2015.

Our target direct cost of services percentage is 60% for all of our offices.

Selling, General and Administrative Expenses. Selling, general and administrative expense (S, G & A) as a percentage of revenue was 29.6% and 31.3% for the quarters ended February 28, 2015 and February 22, 2014, respectively. S, G & A increased to \$43.5 million for the third quarter of fiscal 2015 from \$41.6 million for the same period in the prior year. The increase in S, G & A was primarily attributable to headcount additions and related costs in North America in offices experiencing growth. S, G & A in the third quarter of fiscal 2015 was also favorably impacted by \$1.0 million due to the strengthening of the U.S. dollar compared to the Euro, Swedish Krona and Japanese Yen.

Management and administrative headcount increased from 718 at the end of the third quarter of fiscal 2014 to 757 at the end of the third quarter of fiscal 2015.

Sequential Operations. On a sequential quarter basis, fiscal 2015 third quarter revenues decreased approximately 3.1%, from \$151.5 million to \$146.8 million, primarily attributable to a decrease in billable hours between the two periods. Billable hours worked decreased 1.4%, while bill rates were down 1.6%; the decrease in bill rates is

attributable to the strengthening of the U.S. dollar against currencies in many of our foreign operations. The Company's sequential revenue decreased in North America (0.8%), Asia Pacific (4.2%) and Europe (19.6%); on a constant currency basis, sequential revenue decreased in North America (0.6%), Asia Pacific (1.0%) and in Europe (13.7%). In addition to exchange rate impact, third quarter revenue declined because of the Christmas, New Year's and Chinese New Year's holidays while the second quarter's only significant holiday was Thanksgiving in the U.S.

The direct cost of services percentage of revenue was 62.7% and 60.8% in the third quarter and second quarter, respectively; the third quarter was impacted by a higher level of employer payroll taxes when limit rates are reset after the New Year. This was offset by decreased zero-margin client reimbursable expenses in the third quarter and a favorable bill rate/pay rate ratio.

The ratio of S, G & A to revenue increased from 28.8% for the quarter ended November 29, 2014 to 29.6% for the quarter ended February 28, 2015, due to decreased leverage as a result of lower revenue in the third quarter of fiscal 2015; although total S, G & A spending decreased by approximately \$100,000 sequentially, this was primarily due to currency exchange rates lowering the amount of converted S, G & A expenses in international operations, offset by higher amounts of employer payroll taxes when limit rates are reset after the New Year.

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Amortization and Depreciation Expense. Amortization of intangible assets was \$62,000 for the three months ended February 28, 2015 compared to \$424,000 for the three months ended February 22, 2014. As of the third quarter of fiscal 2015, amortization is almost complete on all of the Company's intangible assets. Based upon the identified remaining unamortized intangible assets of \$120,000 at February 28, 2015, the Company anticipates amortization expense will be approximately \$30,000 during the quarter ending May 30, 2015.

Depreciation expense was \$839,000 for the three months ended February 28, 2015 compared to \$877,000 for the three months ended February 22, 2014. Depreciation expense decreased as a number of assets were fully depreciated during fiscal 2014 and the Company reduced the amount invested in new property and equipment purchases in recent years.

Interest Income. Interest income was \$37,000 in the third quarter of fiscal 2015 compared to \$41,000 in the third quarter of fiscal 2014.

The Company has invested available cash in certificates of deposit, money market investments and commercial paper that have been classified as cash equivalents due to the short maturities of these investments. As of February 28, 2015, the Company also has \$25.0 million of investments in commercial paper and certificates of deposit with maturity dates between three months and one year from the balance sheet date classified as short-term investments and considered held-to-maturity securities.

Income Taxes. The Company's provision for income taxes was \$4.5 million (effective tax rate of approximately 43%) and \$2.6 million (effective tax rate of approximately 53%) for the three months ended February 28, 2015 and February 22, 2014, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations which span numerous tax jurisdictions.

The provision for income taxes in the third quarter of fiscal 2015 and 2014 results from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the United States statutory rates. In addition, the Company's effective tax rate is further impacted by the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying incentive stock option (ISO) exercises. The period to period decrease in the effective tax rate results from the improved results in fiscal 2015 in U.S. income and a decrease in foreign losses without any tax benefit because of the valuation allowances placed on the tax assets of the foreign subsidiaries. Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. Due to a lower benefit from the United States statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying ISO exercises, there can be no assurance that the Company's effective tax rate will remain constant in the future.

The Company cannot recognize a tax benefit for the stock compensation expense related to certain ISO grants unless and until the holder exercises his or her option and then sells the shares within a certain period of time. In addition, the Company can only recognize a potential tax benefit for employees' acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. As a result, the Company's provision for income taxes is likely to fluctuate from these factors for the foreseeable future. The Company recognized a benefit of approximately \$703,000 and \$505,000 related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the third quarter of fiscal 2015 and 2014, respectively. The proportion of expense related to non-qualified stock option grants (for which the Company may recognize a tax benefit in the same quarter as the related compensation expense in most instances) is significant as compared to

expense related to ISOs (including ESPPs). However, the timing and amount of eligible disqualifying ISO exercises cannot be predicted. The Company predominantly grants nonqualified stock options to employees in the United States.

Nine Months Ended February 28, 2015 Compared to Nine Months Ended February 22, 2014

Computations of percentage change period over period are based upon our results, as rounded and presented herein.

Revenue. Revenue increased \$31.4 million, or 7.7%, to \$441.8 million for the nine months ended February 28, 2015 from \$410.4 million for the nine months ended February 22, 2014. In the first nine months of fiscal 2015 as compared to fiscal 2014, revenue increased in North America by 12.8% and in Asia Pacific by 6.8% but declined in Europe by 20.9%. As noted below, in the first nine months of fiscal 2015, fluctuations in currency exchange rates which resulted in the U.S. dollar strengthening against currencies in several of our largest international practices also influenced the results of our foreign operations. If the same exchange rates were utilized in the first nine months of fiscal 2015 as in the same period of fiscal 2014, the revenue increase in North America and Asia Pacific would have been 12.9% and 11.0%, respectively, and the decrease in Europe 16.4%.

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The number of hours worked in the first nine months of fiscal 2015 increased approximately 11.2% compared with the prior year period while average bill rates were down 3.2%. Average bill rates (as well as pay rates) were partially impacted in fiscal 2015 by the aforementioned impact of currency exchange rates as well as by the commencement of a significant client engagement in the Philippines where bill/pay rates are lower than most metropolitan areas.

Revenue for the Company's practice areas across the globe consisted of the following (dollars in thousands):

	Revenue for the Nine Months Ended			% of Total	
	February 28, 2015	February 22, 2014	% Change	February 28, 2015	February 22, 2014
North America	\$ 367,730	\$ 326,062	12.8%	83.2%	79.5%
Europe	45,831	57,916	(20.9)%	10.4	14.1
Asia Pacific	28,214	26,420	6.8%	6.4	6.4
Total	\$ 441,775	\$ 410,398	7.6%	100.0%	100.0%

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates in effect during each quarter. Thus, as the value of the United States dollar fluctuates relative to the currencies of our non-United States based operations, our revenue can be impacted. Using the comparable first nine months of fiscal 2014 conversion rates, international revenues would have been higher than reported under GAAP by \$4.3 million in the first nine months of fiscal 2015.

Direct Cost of Services. Direct cost of services increased \$15.8 million, or 6.2%, to \$271.3 million for the nine months ended February 28, 2015 from \$255.5 million for the nine months ended February 22, 2014. The increase in the amount of direct cost of services was attributable to the 11.2% increase in the number of hours worked in the first nine months of fiscal 2015 as compared to the same period of fiscal 2014, partially offset by a 4.7% decrease in the average pay rate per hour between the two periods. The direct cost of services percentage of revenue was 61.4% and 62.3% for the nine months ended February 28, 2015 and February 22, 2014, respectively. The decrease in the direct cost of services percentage of revenue between the periods resulted primarily from a favorable change in the bill rate/pay rate ratio in the first nine months of fiscal 2015.

Selling, General and Administrative Expenses. S, G & A as a percentage of revenue was 29.7% and 30.8% for the nine months ended February 28, 2015 and February 22, 2014, respectively. S, G & A increased to \$131.3 million for the first nine months of fiscal 2015 from \$126.3 million for the same period in the prior year. The increase in S, G & A was primarily attributable to an increase in marketing costs, including a global client service meeting in June, headcount additions in offices experiencing growth and severance charges of \$1.2 million related to our European operations.

Amortization and Depreciation Expense. Amortization of intangible assets decreased from \$1.3 million for the nine months ended February 22, 2014 compared to \$888,000 for the nine months ended February 28, 2015. The decrease is the result of completion of amortization on most of the Company's amortizable intangible assets during the current fiscal year (and, to a lesser extent, the result of favorable exchange rate fluctuations related to amortization of intangible assets denominated in a foreign currency).

Depreciation expense was \$2.5 million for the nine months ended February 28, 2015 compared to \$2.7 million for the nine months ended February 22, 2014. Depreciation expense decreased as a number of assets were fully depreciated during fiscal 2014 and the Company reduced the amount invested in new property and equipment purchases in recent years.

Interest Income. Interest income was \$114,000 in the first nine months of fiscal 2015 compared to \$123,000 in the first nine months of fiscal 2014.

Income Taxes. The Company's provision for income taxes was \$16.5 million (effective tax rate of approximately 46%) and \$11.6 million (effective tax rate of approximately 47%) for the nine months ended February 28, 2015 and February 22, 2014, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations which span numerous tax jurisdictions.

The provision for income taxes in the first nine months of fiscal 2015 and 2014 results from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the United States statutory rates. In addition, the Company's effective tax rate is further impacted by the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying ISO exercises. During the nine months ended February 22, 2014, the effective tax rate benefited from the reversal of \$670,000 of uncertain international tax accruals; there was no benefit recognized in fiscal 2015. The effective tax rate for fiscal 2015 benefited from improved U.S. financial results and a decrease in foreign losses without any tax benefit because of the valuation allowances placed on the tax assets of the foreign subsidiaries.

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Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. Due to a lower benefit from the United States statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying ISO exercises, there can be no assurance that the Company's effective tax rate will remain constant in the future.

The Company cannot recognize a tax benefit for the stock compensation expense related to certain ISO grants unless and until the holder exercises his or her option and then sells the shares within a certain period of time. In addition, the Company can only recognize a potential tax benefit for employees' acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. As a result, the Company's provision for income taxes is likely to fluctuate from these factors for the foreseeable future. The Company recognized a benefit of approximately \$1.8 million and \$1.6 million related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the first nine months of fiscal 2015 and 2014, respectively.

Comparability of Quarterly Results. Our quarterly results have fluctuated in the past and we believe they will continue to do so in the future. Certain factors that could affect our quarterly operating results are described in Part II, Item 1A. Risk Factors. Due to these and other factors, we believe that quarter-to-quarter comparisons of our results of operations may not be meaningful indicators of future performance.

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by our operations and, historically, to a lesser extent, stock option exercises and ESPP purchases. On an annual basis, we have generated positive cash flows from operations since inception. Our ability to continue to increase cash flow from operations in the future will be, at least in part, dependent on continued improvement in global economic conditions.

As of February 28, 2015, the Company had \$92.3 million of cash, cash equivalents and short-term investments. The Company has a \$3.0 million unsecured revolving credit facility with Bank of America (the "Credit Agreement"). The Credit Agreement allows the Company to choose the interest rate applicable to advances. The interest rate options are Bank of America's prime rate and a London Inter-Bank Offered Rate plus 2.25%. Interest, if any, is payable monthly. The Credit Agreement expires November 30, 2015. As of February 28, 2015, the Company had approximately \$1.9 million available for borrowing under the terms of the Credit Agreement as we have directed Bank of America to issue approximately \$1.1 million of outstanding letters of credit for the benefit of third parties related to operating leases and guarantees. As of February 28, 2015, the Company was in compliance with the financial covenants in the Credit Agreement.

Operating activities provided \$2.8 million in cash for the nine months ended February 28, 2015 compared to \$13.7 million for the nine months ended February 22, 2014. Cash provided by operations in the first nine months of fiscal 2015 resulted from net income of \$19.4 million and non-cash items of \$10.3 million, offset by net unfavorable changes in operating assets and liabilities of \$26.9 million. In the first nine months of fiscal 2014, cash provided by operations resulted from net income of \$13.0 million and non-cash items of \$8.2 million, offset by net unfavorable changes in operating assets and liabilities of \$7.5 million. Non-cash items in both years include depreciation and amortization (which decreased between the two periods as certain property and equipment and intangible assets were fully depreciated and amortized through fiscal 2015) and stock-based compensation expense (which decreased between the two periods); these charges do not reflect an actual cash outflow from the Company. The primary operating asset/liability change between the two periods was the unfavorable change in trade accounts receivable of approximately \$6.8 million from growth in revenues between the two fiscal periods and the unfavorable change in

income tax related accounts of approximately \$3.1 million. In addition, the change is attributable to the increase in accrued salaries and related obligations of \$8.5 million as of February 28, 2015 compared to the May 31, 2014 balances versus \$1.1 million change in the same classifications in the previous year. This results from the change in timing of bi-weekly compensation as the fourth quarter of fiscal 2014 contained the extra fourteenth week and an increase in payments under the Company's bonus incentive plan.

Net cash provided by investing activities was \$7.4 million for the first nine months of fiscal 2015, while net cash used in investing activities was \$11.1 million in the comparable prior year period. Redemptions of short-term investments were higher than cash used for purchases of short-term investments (primarily commercial paper) in the first nine months of fiscal 2015 by approximately \$9.0 million; in the prior year period, purchases of short-term investments exceeded cash from redemption of short-term investments by approximately \$8.0 million. Purchases of property and equipment decreased approximately \$1.5 million between the two periods.

Net cash used in financing activities totaled \$20.8 million for the nine months ended February 28, 2015, compared to \$22.4 million in the prior year equivalent period. Proceeds from the exercise of employee stock options and issuance of shares via the Company's ESPP were approximately \$1.1 million more in fiscal 2015 compared to the same period in fiscal 2014. In addition, the Company used approximately \$1.3 million less on purchases of its common stock in fiscal 2015 as compared to fiscal 2014. The Company used \$20.3 million in the first nine months of fiscal 2015 to purchase approximately 1.3 million shares of its common stock

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on the open market versus \$21.6 million in the first nine months of the prior fiscal year to purchase approximately 1.6 million shares of its common stock. The Company also paid dividends on its common stock of \$8.7 million in the first nine months of fiscal 2015, approximately \$831,000 higher than the year before; this change is due to the increase in the Company's dividend rate of \$0.01 per common share in fiscal 2015 compared to fiscal 2014. The Company's board of directors declared a quarterly cash dividend of \$0.08 per common share on January 27, 2015. The dividend of approximately \$3.0 million, paid on March 19, 2015, is accrued in the Company's Consolidated Balance Sheet as of February 28, 2015.

Our ongoing operations and anticipated growth in the geographic markets we currently serve will require us to continue to make investments in office premises and capital equipment, primarily technology hardware and software. In addition, we may consider making strategic acquisitions. We anticipate that our current cash and the ongoing cash flows from our operations will be adequate to meet our working capital and capital expenditure needs for at least the next 12 months. If we require additional capital resources to grow our business, either internally or through acquisition, we may seek to sell additional equity securities or to secure debt financing. The sale of additional equity securities or certain forms of debt financing could result in additional dilution to our stockholders. We may not be able to obtain financing arrangements in amounts or on terms acceptable to us in the future. In the event we are unable to obtain additional financing when needed, we may be compelled to delay or curtail our plans to develop our business or to pay dividends on our capital stock, which could have a material adverse effect on our operations, market position and competitiveness.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 10 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. As of February 28, 2015, we had \$92.3 million of cash and cash equivalents and short-term investments. Securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. These securities consist of commercial paper and government agency securities. Cost approximates market for these securities. The earnings on these investments are subject to changes in interest rates; however, assuming a constant balance available for investment, a 10% decline in interest rates would reduce our interest income but would not have a material impact on our consolidated financial position or results of operations.

Foreign Currency Exchange Rate Risk. For the three months ended February 28, 2015, approximately 17% of the Company's revenues were generated outside of the United States. As a result, our operating results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues and expenses denominated in foreign currencies are translated into United States dollars at the average exchange rates prevailing during the period. Thus, as the value of the United States dollar fluctuates relative to the currencies in our non-United States based operations, our reported results may vary.

Assets and liabilities of our non-United States based operations are translated into United States dollars at the exchange rate effective at the end of each reporting period. Approximately 82% of our balances of cash, cash equivalents and short-term investments as of February 28, 2015 were denominated in United States dollars. The remaining 18% was comprised primarily of cash balances translated from Japanese Yen, Canadian Dollars, Euros and Chinese Yuan. The difference resulting from the translation each period of assets and liabilities of our non-United States based operations is recorded as a component of stockholders' equity in accumulated other comprehensive income or loss.

Although we intend to monitor our exposure to foreign currency fluctuations, we do not currently use financial hedging techniques to mitigate risks associated with foreign currency fluctuations, and we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

ITEM 4. CONTROLS AND PROCEDURES.

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the Exchange Act), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of February 28, 2015. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of February 28, 2015. There was no change in the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act, during the Company's quarter ended February 28, 2015 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are not a party to any material legal proceedings, although we are from time to time party to legal proceedings that arise in the ordinary course of our business.

ITEM 1A. RISK FACTORS.

There have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2014, which was filed with the Securities and Exchange Commission on July 28, 2014. For convenience, our updated risk factors are included below in this Item 1A. The order in which the risks appear is not intended as an indication of their relative weight or importance.

A future economic downturn or change in the use of outsourced professional services consultants could adversely affect our business.

While we believe general economic conditions continue to improve in most parts of the world, there continues to be some uncertainty regarding general economic conditions within some regions and countries in which we operate, leading to reluctance on the part of some multinational companies to spend on discretionary projects. Deterioration of or increased uncertainty related to the global economy or tightening credit markets could result in a reduction in the demand for our services and adversely affect our business in the future. In addition, the use of professional services consultants on a project-by-project basis could decline for non-economic reasons. In the event of a reduction in the demand for our consultants, our financial results would suffer.

Economic deterioration at one or more of our clients may also affect our allowance for doubtful accounts. Our estimate of losses resulting from our clients' failure to make required payments for services rendered has historically been within our expectations and the provisions established. However, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. A significant change in the liquidity or financial position of our clients could cause unfavorable trends in receivable collections and cash flows and additional allowances may be required. These additional allowances could materially affect the Company's future financial results.

In addition, we are required to periodically, but at least annually, assess the recoverability of certain assets, including deferred tax assets and goodwill. Softening of the United States economy and international economies could adversely affect our evaluation of the recoverability of deferred tax assets, requiring us to record additional tax valuation allowances. Our assessment of impairment of goodwill is currently based upon comparing our market capitalization to our net book value. Therefore, a significant downturn in the future market value of our stock could potentially result in impairment reductions of goodwill and such an adjustment could materially affect the Company's future financial results and financial condition.

The market for professional services is highly competitive, and if we are unable to compete effectively against our competitors, our business and operating results could be adversely affected.

We operate in a competitive, fragmented market, and we compete for clients and consultants with a variety of organizations that offer similar services. The competition is likely to increase in the future due to the expected growth of the market and the relatively few barriers to entry. Our principal competitors include:

consulting firms;

local, regional, national and international accounting and other traditional professional services firms;

independent contractors;

traditional and Internet-based staffing firms; and

the in-house or former in-house resources of our clients.

We cannot assure you that we will be able to compete effectively against existing or future competitors. Many of our competitors have significantly greater financial resources, greater revenues and greater name recognition, which may afford them an advantage in attracting and retaining clients and consultants and in offering pricing concessions. Some of our competitors in certain markets do not provide medical and other benefits to their consultants, thereby allowing them to potentially charge lower rates to clients. In addition, our competitors may be able to respond more quickly to changes in companies' needs and developments in the professional services industry.

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Our business depends upon our ability to secure new projects from clients and, therefore, we could be adversely affected if we fail to do so.

We do not have long-term agreements with our clients for the provision of services and our clients may terminate engagements with us at any time. The success of our business is dependent on our ability to secure new projects from clients. For example, if we are unable to secure new client projects because of improvements in our competitors service offerings, or because of a change in government regulatory requirements, or because of an economic downturn decreasing the demand for outsourced professional services, our business is likely to be materially adversely affected. New impediments to our ability to secure projects from clients may develop over time, such as the increasing use by large clients of in-house procurement groups that manage their relationship with service providers.

We may be legally liable for damages resulting from the performance of projects by our consultants or for our clients' mistreatment of our consultants.

Many of our engagements with our clients involve projects that are critical to our clients' businesses. If we fail to meet our contractual obligations, we could be subject to legal liability or damage to our reputation, which could adversely affect our business, operating results and financial condition. While we are not currently subject to any client-related legal claims which we believe are material, it remains possible, because of the nature of our business, that we may be involved in litigation in the future that could materially affect our future financial results. Claims brought against us could have a serious negative effect on our reputation and on our business, financial condition and results of operations.

Because we are in the business of placing our consultants in the workplaces of other companies, we are subject to possible claims by our consultants alleging discrimination, sexual harassment, negligence and other similar activities by our clients. We may also be subject to similar claims from our clients based on activities by our consultants. The cost of defending such claims, even if groundless, could be substantial and the associated negative publicity could adversely affect our ability to attract and retain consultants and clients.

We may not be able to grow our business, manage our growth or sustain our current business.

Historically, we have grown by opening new offices and by increasing the volume of services provided through existing offices. Since the first quarter of fiscal 2010, we have had difficulty sustaining consistent revenue growth either quarter-over-quarter or in sequential quarters. There can be no assurance that we will be able to maintain or expand our market presence in our current locations or to successfully enter other markets or locations. Our ability to continue to grow our business will depend upon an improving global economy and a number of factors, including our ability to:

grow our client base;

expand profitably into new geographies;

provide additional professional services offerings;

hire qualified and experienced consultants;

maintain margins in the face of pricing pressures;

manage costs; and

maintain or grow revenues and increase other service offerings from existing clients.

Even if we are able to resume more rapid growth in our revenue, the growth will result in new and increased responsibilities for our management as well as increased demands on our internal systems, procedures and controls, and our administrative, financial, marketing and other resources. For instance, a limited number of clients are requesting that certain engagements be of a fixed fee nature rather than our traditional hourly time and materials approach, thus shifting a portion of the burden of financial risk and monitoring to us. Failure to adequately respond to these new responsibilities and demands may adversely affect our business, financial condition and results of operations.

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Our ability to serve clients internationally is integral to our strategy and our international activities expose us to additional operational challenges that we might not otherwise face.

Our international activities require us to confront and manage a number of risks and expenses that we would not face if we conducted our operations solely in the United States. Any of these risks or expenses could cause a material negative effect on our operating results. These risks and expenses include:

difficulties in staffing and managing foreign offices as a result of, among other things, distance, language and cultural differences;

less flexible labor laws and regulations;

expenses associated with customizing our professional services for clients in foreign countries;

foreign currency exchange rate fluctuations when we sell our professional services in denominations other than United States dollars;

protectionist laws and business practices that favor local companies;

political and economic instability in some international markets;

multiple, conflicting and changing government laws and regulations;

trade barriers;

reduced protection for intellectual property rights in some countries; and

potentially adverse tax consequences.

We have acquired, and may continue to acquire, companies, and these acquisitions could disrupt our business.

We have acquired several companies and we may continue to acquire companies in the future. Entering into an acquisition entails many risks, any of which could harm our business, including:

diversion of management's attention from other business concerns;

failure to integrate the acquired company with our existing business;

failure to motivate, or loss of, key employees from either our existing business or the acquired business;

potential impairment of relationships with our employees and clients;

additional operating expenses not offset by additional revenue;

incurrence of significant non-recurring charges;

incurrence of additional debt with restrictive covenants or other limitations;

addition of significant amounts of intangible assets, including goodwill, that are subject to periodic assessment of impairment, primarily through comparison of market value of our stock to our net book value, with such impairment potentially resulting in a material impact on our future financial results and financial condition;

dilution of our stock as a result of issuing equity securities; and

assumption of liabilities of the acquired company.

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We must provide our clients with highly qualified and experienced consultants, and the loss of a significant number of our consultants, or an inability to attract and retain new consultants, could adversely affect our business and operating results.

Our business involves the delivery of professional services, and our success depends on our ability to provide our clients with highly qualified and experienced consultants who possess the skills and experience necessary to satisfy their needs. At various times, such professionals can be in great demand, particularly in certain geographic areas or if they have specific skill sets. Our ability to attract and retain consultants with the requisite experience and skills depends on several factors including, but not limited to, our ability to:

provide our consultants with either full-time or flexible-time employment;

obtain the type of challenging and high-quality projects that our consultants seek;

pay competitive compensation and provide competitive benefits; and

provide our consultants with flexibility as to hours worked and assignment of client engagements.

There can be no assurance that we will be successful in accomplishing any of these factors and, even if we are, we cannot assure that we will be successful in attracting and retaining the number of highly qualified and experienced consultants necessary to maintain and grow our business.

Decreased effectiveness of equity compensation could adversely affect our ability to attract and retain employees.

We have historically used stock options as a key component of our employee compensation program in order to align employees' interests with the interests of our stockholders, encourage employee retention and provide competitive compensation packages. A significant portion of our options outstanding awarded prior to fiscal 2012 are priced at more than the current per share market value of our stock, limiting the grants from those years as a significant incentive to retain employees.

Our computer hardware and software and telecommunications systems are susceptible to damage, breach or interruption.

The management of our business is aided by the uninterrupted operation of our computer and telecommunication systems. These systems are vulnerable to security breaches, natural disasters or other catastrophic events, computer viruses, or other interruptions or damage stemming from power outages, equipment failure or unintended usage by employees. In particular, our employees may have access or exposure to personally identifiable or otherwise confidential information and customer data and systems, the misuse of which could result in legal liability. In addition, we rely on information technology systems to process, transmit and store electronic information and to communicate among our locations around the world and with our clients, partners and consultants. The breadth and complexity of this infrastructure increases the potential risk of security breaches. Security breaches, including cyber-attacks or cyber-intrusions by computer hackers, foreign government, cyber terrorists or others with grievances against the industry in which we operate or us in particular, may disable or damage the proper functioning of our networks and systems. It is possible that our security controls over personal and other data may not prevent all

unauthorized access to, or destruction, loss, theft, misappropriation or release of personally identifiable or other proprietary, confidential, sensitive or valuable information of ours or others, which could lead to potential unauthorized disclosure of confidential Company or client information that others could use to compete against us or for other disruptive, destructive or harmful purposes and outcomes. Any such disclosure or damage to our networks and systems could subject us to third party claims against us and reputational harm. If these events occur, our ability to attract new clients may be impaired or we may be subjected to damages or penalties. In addition, system-wide or local failures of these information technology systems could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our cash and short-term investments are subject to economic risk.

The Company invests its cash, cash equivalents and short-term investments in foreign and domestic bank deposits, money market funds, commercial paper and certificates of deposit. Certain of these investments are subject to general credit, liquidity, market and interest rate risks. In the event these risks caused a decline in value of any of the Company's investments, it could adversely affect the Company's financial condition.

Our business could suffer if we lose the services of one or more key members of our senior management.

Our future success depends upon the continued employment of our senior management team. The unforeseen departure of one or more key members of our senior management team could significantly disrupt our operations.

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Our quarterly financial results may be subject to significant fluctuations that may increase the volatility of our stock price.

Our results of operations could vary significantly from quarter to quarter. Factors that could affect our quarterly operating results include:

our ability to attract new clients and retain current clients;

the mix of client projects;

the announcement or introduction of new services by us or any of our competitors;

the expansion of the professional services offered by us or any of our competitors into new locations both nationally and internationally;

changes in the demand for our services by our clients;

the entry of new competitors into any of our markets;

the number of consultants eligible for our offered benefits as the average length of employment with the Company increases;

the amount of vacation hours used by consultants or number of holidays in a quarter, particularly the day of the week on which they occur;

availability of consultants with the requisite skills in demand by clients;

changes in the pricing of our professional services or those of our competitors;

variation in foreign exchange rates from one quarter to the next used to translate the financial results of our international operations;

the amount and timing of operating costs and capital expenditures relating to management and expansion of our business;

changes in the estimates of contingent consideration;

the timing of acquisitions and related costs, such as compensation charges that fluctuate based on the market price of our common stock; and

the periodic fourth quarter consisting of 14 weeks, which occurred during the fiscal year ended May 31, 2014 and next occurs during the fiscal year ending May 30, 2020.

Due to these factors, we believe that quarter-to-quarter comparisons of our results of operations are not meaningful indicators of future performance. It is possible that in some future periods, our results of operations may be below the expectations of investors. If this occurs, the price of our common stock could decline.

If our internal control over financial reporting does not comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

Section 404 of Sarbanes requires us to evaluate periodically the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal controls as of the end of each fiscal year. Our management report on internal controls is contained in our Annual Report on Form 10-K for the year ended May 31, 2014. Section 404 also requires our independent registered public accountant to report on our internal control over financial reporting.

Our management does not expect that our internal control over financial reporting will prevent all errors or acts of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, involving us have been, or will be, detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of a person, or by collusion among two or more people, or by management override of controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraudulent acts may occur and not be detected.

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Although our management has determined, and our independent registered public accountant has attested, that our internal control over financial reporting was effective as of May 31, 2014, we cannot assure you that we or our independent registered public accountant will not identify a material weakness in our internal controls in the future. A material weakness in our internal control over financial reporting may require management and our independent registered public accountant to evaluate our internal controls as ineffective. If our internal control over financial reporting is not considered adequate, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price. Additionally, if our internal control over financial reporting otherwise fails to comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

We may be subject to laws and regulations that impose difficult and costly compliance requirements and subject us to potential liability and the loss of clients.

In connection with providing services to clients in certain regulated industries, such as the gaming and energy industries, we are subject to industry-specific regulations, including licensing and reporting requirements. Complying with these requirements is costly and, if we fail to comply, we could be prevented from rendering services to clients in those industries in the future. Additionally, changes in these requirements, or in other laws applicable to us, in the future could increase our costs of compliance.

In addition, we may face challenges from certain state regulatory bodies governing the provision of certain professional services, like legal services or audit services. The imposition of such regulations could require additional financial and operational burdens on our business.

It may be difficult for a third party to acquire the Company, and this could depress our stock price.

Delaware corporate law and our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that could delay, defer or prevent a change of control of the Company or our management. These provisions could also discourage proxy contests and make it difficult for you and other stockholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that future investors are willing to pay for your shares. These provisions:

authorize our board of directors to establish one or more series of undesignated preferred stock, the terms of which can be determined by the board of directors at the time of issuance;

divide our board of directors into three classes of directors, with each class serving a staggered three-year term. Because the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may make it difficult to change the composition of the board of directors;

prohibit cumulative voting in the election of directors which, if not prohibited, could allow a minority stockholder holding a sufficient percentage of a class of shares to ensure the election of one or more directors;

require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;

state that special meetings of our stockholders may be called only by the chairman of the board of directors, by our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10% of our outstanding voting stock;

establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;

provide that certain provisions of our certificate of incorporation and bylaws can be amended only by supermajority vote (a $66 \frac{2}{3} \%$ majority) of the outstanding shares. In addition, our board of directors can amend our bylaws by majority vote of the members of our board of directors;

allow our directors, not our stockholders, to fill vacancies on our board of directors; and

provide that the authorized number of directors may be changed only by resolution of the board of directors.

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We are required to recognize compensation expense related to employee stock options and our employee stock purchase plan. There is no assurance that the expense that we are required to recognize measures accurately the value of our share-based payment awards and the recognition of this expense could cause the trading price of our common stock to decline.

We measure and recognize compensation expense for all stock-based compensation based on estimated values. Thus, our operating results contain a non-cash charge for stock-based compensation expense related to employee stock options and our employee stock purchase plan. In general, accounting guidance requires the use of an option-pricing model to determine the value of share-based payment awards. This determination of value is affected by our stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, our expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because our employee stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion the existing valuation models may not provide an accurate measure of the value of our employee stock options. Although the value of employee stock options is determined using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

We may be unable to or elect not to pay our quarterly dividend payment.

The Company pays a regular quarterly dividend, subject to quarterly board of director approval. The payment of, or continuation of, the quarterly dividend is at the discretion of our board of directors and is dependent upon our financial condition, results of operations, capital requirements, general business conditions, tax treatment of dividends in the United States, potential future contractual restrictions contained in credit agreements and other agreements and other factors deemed relevant by our board of directors. We can give no assurance that dividends will be declared and paid in the future. The failure to pay the quarterly dividend or the discontinuance of the quarterly dividend could adversely affect the trading price of our common stock.

We may be unable to adequately protect our intellectual property rights, including our brand name. If we fail to adequately protect our intellectual property rights, the value of such rights may diminish and our results of operations and financial condition may be adversely affected.

We believe that establishing, maintaining and enhancing the Resources Global Professionals brand name is essential to our business. We have applied for United States and foreign registrations on this service mark. We have previously obtained United States registrations on our Resources Connection service mark and puzzle piece logo, Registration No. 2,516,522 registered December 11, 2001; No. 2,524,226 registered January 1, 2002; and No. 2,613,873, registered September 3, 2002, as well as certain foreign registrations. On March 29, 2013, we filed a United States trademark application for our RGP service mark and puzzle piece logo, Serial No. 85/890,836 as well as United States trademark applications on our RGP service mark, puzzle piece and tag line, Serial No. 85/890,838; our RGP Healthcare service mark and puzzle piece logo, Serial No. 85/890,839; our RGP Legal service mark and puzzle piece logo, Serial No. 85/890,843; and our RGP Search service mark and puzzle piece logo, Serial No. 85/890,845. We had been aware from time to time of other companies using the name Resources Connection or some variation thereof and this contributed to our decision to adopt the operating company name of Resources Global Professionals. We obtained United States registration on our Resources Global Professionals service mark, Registration No. 3,298,841 registered September 25, 2007. However, our rights to this service mark are not currently protected in some of our foreign registrations, and there is no guarantee that any of our pending applications for such registration (or any appeals thereof or future applications) will be successful. Although we are not aware of other companies using the name

Resources Global Professionals at this time, there could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have service mark rights that are senior to ours. If these claims were successful, we could be forced to cease using the service mark Resources Global Professionals even if an infringement claim is not brought against us. It is also possible that our competitors or others will adopt service names similar to ours or that our clients will be confused by another company using a name, service mark or trademark similar to ours, thereby impeding our ability to build brand identity. We cannot assure you that our business would not be adversely affected if confusion did occur or if we were required to change our name.

Recently, we have developed a software product for the healthcare industry to address enterprise-wide incident management and patient safety issues. We have applied for registration in the United States and in the appropriate jurisdictions on the service mark for this product. On February 13, 2014, we filed a Nonprovisional Application, App. No. H180290, with the United States Patent Office for patent protection for this invention.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

In April 2011, our board of directors approved a stock repurchase program, authorizing the purchase, at the discretion of the Company's senior executives, of our common stock for an aggregate dollar limit not to exceed \$150 million. Subject to the aggregate dollar limit, the currently authorized stock repurchase program does not have an expiration date. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan.

The table below provides information regarding our stock repurchases made during the third quarter of fiscal 2015 under our stock repurchase program.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the April 2011 Program
November 30, 2014 – December 27, 2014		\$		\$ 29,699,354
December 28, 2014 – January 24, 2015	93,400	\$ 17.14	93,400	28,098,908
January 25, 2015 – February 28, 2015	315,061	\$ 17.29	315,061	22,651,436
Total November 30, 2014 February 28, 2015	408,461	\$ 17.25	408,461	\$ 22,651,436

ITEM 6. EXHIBITS.

The exhibits listed in the Exhibit Index (following the Signatures page of this Report) are filed with, or incorporated by reference in, this Report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RESOURCES CONNECTION, INC.

Date: April 9, 2015

/s/ Anthony Cherbak
Anthony Cherbak
President and Chief Executive Officer

(Principal Executive Officer)

Date: April 9, 2015

/s/ Nathan W. Franke
Nathan W. Franke
Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

Table of Contents**EXHIBIT INDEX****Exhibit**

Number	Description of Document
10.22	Resources Connection, Inc. 2014 Performance Incentive Plan (incorporated by reference to Exhibit 10.22 to the Registrant's Form 8-K filing of October 28, 2014)
31.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation.
101.DEF*	XBRL Taxonomy Extension Definition.
101.LAB*	XBRL Taxonomy Extension Labels.
101.PRE*	XBRL Taxonomy Extension Presentation.

* Filed herewith.

** Furnished herewith.