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

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**FORM 10-Q**

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(MARK ONE)

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

**For the quarterly period ended February 29, 2008**

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**

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**RESOURCES CONNECTION, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**DELAWARE**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**33-0832424**  
(I.R.S. Employer  
Identification No.)

**17101 Armstrong Avenue, Irvine, California 92614**  
(Address of Principal Executive Offices and Zip Code)

**(714) 430-6400**  
(Registrant's Telephone Number, Including Area Code)

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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 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.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a 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 27, 2008, 45,498,591 shares of the registrant's common stock, \$0.01 par value per share, were outstanding.

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RESOURCES CONNECTION, INC.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

**RESOURCES CONNECTION, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(amounts in thousands, except par value per share)**

	<u>February 29, 2008</u>	<u>May 31, 2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 81,626	\$ 121,095
Short-term investments	18,000	55,000
Trade accounts receivable, net of allowance for doubtful accounts of \$3,904 and \$4,588 as of February 29, 2008 and May 31, 2007, respectively	120,140	105,146
Prepaid expenses and other current assets	4,068	5,966
Prepaid income taxes	5,213	—
Deferred income taxes	8,123	8,123
Total current assets	<u>237,170</u>	<u>295,330</u>
U.S. Government agency securities	—	47,000
Goodwill	107,291	83,263
Intangible assets, net	884	654
Property and equipment, net	39,719	35,347
Deferred income taxes	3,383	2,068
Other assets	1,451	799
Total assets	<u>\$ 389,898</u>	<u>\$ 464,461</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 19,566	\$ 16,850
Accrued salaries and related obligations	52,095	60,407
Income taxes payable and other liabilities	7,300	10,426
Total current liabilities	<u>78,961</u>	<u>87,683</u>
Other long-term liabilities	6,479	6,301
Deferred income taxes	4,402	7,178
Total liabilities	<u>89,842</u>	<u>101,162</u>
Commitments and contingencies		
Stockholders' equity:		
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; 52,123 and 50,731 shares issued; and 45,587 and 47,777 outstanding as of February 29, 2008 and May 31, 2007, respectively	521	507
Additional paid-in capital	241,107	199,741
Accumulated other comprehensive income	5,546	2,629
Retained earnings	214,603	242,628
Treasury stock at cost, 6,536 and 2,954 shares at February 29, 2008 and May 31, 2007, respectively	<u>(161,721)</u>	<u>(82,206)</u>
Total stockholders' equity	<u>300,056</u>	<u>363,299</u>
Total liabilities and stockholders' equity	<u>\$ 389,898</u>	<u>\$ 464,461</u>

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

**RESOURCES CONNECTION, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**  
**(in thousands, except per share amounts)**

	Three Months Ended		Nine Months Ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Revenue	\$ 202,803	\$ 187,464	\$ 603,561	\$ 535,375
Direct cost of services, primarily payroll and related taxes for professional services employees	127,252	115,938	374,908	326,009
Gross profit	75,551	71,526	228,653	209,366
Selling, general and administrative expenses	57,518	48,577	166,061	140,033
Amortization of intangible assets	211	318	549	1,080
Depreciation expense	2,200	1,563	6,082	4,363
Income from operations	15,622	21,068	55,961	63,890
Interest income	952	2,401	5,123	6,323
Income before provision for income taxes	16,574	23,469	61,084	70,213
Provision for income taxes	7,909	10,370	27,801	31,506
Net income	<u>\$ 8,665</u>	<u>\$ 13,099</u>	<u>\$ 33,283</u>	<u>\$ 38,707</u>
Net income per common share:				
Basic	<u>\$ 0.19</u>	<u>\$ 0.27</u>	<u>\$ 0.69</u>	<u>\$ 0.80</u>
Diluted	<u>\$ 0.19</u>	<u>\$ 0.26</u>	<u>\$ 0.67</u>	<u>\$ 0.77</u>
Weighted average common shares outstanding:				
Basic	<u>45,616</u>	<u>48,658</u>	<u>48,399</u>	<u>48,312</u>
Diluted	<u>46,547</u>	<u>51,087</u>	<u>49,952</u>	<u>50,565</u>
Cash dividends declared per share	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1.25</u>	<u>\$ —</u>

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

**RESOURCES CONNECTION, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(amounts in thousands)**

	<b>Nine Months Ended February 29, 2008</b>
<b>COMMON STOCK—SHARES:</b>	
Balance at beginning of period	50,731
Exercise of stock options	997
Issuance of common stock under Employee Stock Purchase Plan	405
Cancellation of shares held in treasury	(10)
Balance at end of period	<u>52,123</u>
<b>COMMON STOCK—PAR VALUE:</b>	
Balance at beginning of period	\$ 507
Exercise of stock options	10
Issuance of common stock under Employee Stock Purchase Plan	4
Cancellation of shares held in treasury	—
Balance at end of period	<u>\$ 521</u>
<b>ADDITIONAL PAID-IN CAPITAL:</b>	
Balance at beginning of period	\$ 199,741
Exercise of stock options	12,386
Stock-based compensation expense related to employee stock options and employee stock purchases	17,314
Tax benefit from employee stock option plans	3,167
Issuance of common stock under Employee Stock Purchase Plan	7,911
Issuance of treasury stock for Compliance Solutions (UK) Ltd. transaction	777
Cancellation of shares held in treasury	(189)
Balance at end of period	<u>\$ 241,107</u>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>	
Balance at beginning of period	\$ 2,629
Translation adjustments	2,917
Balance at end of period	<u>\$ 5,546</u>
<b>RETAINED EARNINGS:</b>	
Balance at beginning of period	\$ 242,628
Cash dividends-\$1.25 per share	(60,652)
Cumulative impact from adoption of FASB Interpretation No. 48	(656)
Net income	33,283
Balance at end of period	<u>\$ 214,603</u>
<b>TREASURY STOCK—SHARES:</b>	
Balance at beginning of period	2,954
Repurchase of shares	3,659
Issuance of treasury stock for Compliance Solutions (UK) Ltd. transaction	(67)
Cancellation of shares held in treasury	(10)
Balance at end of period	<u>6,536</u>
<b>TREASURY STOCK—COST:</b>	
Balance at beginning of period	\$ (82,206)
Repurchase of shares	(81,079)
Issuance of treasury stock for Compliance Solutions (UK) Ltd. transaction	1,375
Cancellation of shares held in treasury	189
Balance at end of period	<u>\$ (161,721)</u>
<b>COMPREHENSIVE INCOME:</b>	
Net income	\$ 33,283
Translation adjustments	2,917
Total comprehensive income	<u>\$ 36,200</u>

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

**RESOURCES CONNECTION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(amounts in thousands)**

	Nine Months Ended	
	February 29, 2008	February 28, 2007
Cash flows from operating activities:		
Net income	\$ 33,283	\$ 38,707
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,631	5,443
Stock-based compensation expense related to employee stock options and employee stock purchases	17,314	14,381
Excess tax benefits from stock-based compensation	(2,221)	(3,084)
Bad debt expense	—	318
Deferred income tax benefit	(4,293)	(2,299)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Trade accounts receivable	(7,343)	(18,322)
Prepaid expenses and other current assets	2,586	124
Income taxes payable	(8,046)	6,252
Other assets	(688)	(162)
Accounts payable and accrued expenses	(1,441)	3,582
Accrued salaries and related obligations	(10,480)	(7,010)
Other liabilities	1,845	4,054
Net cash provided by operating activities	<u>27,147</u>	<u>41,984</u>
Cash flows from investing activities:		
Redemption of long-term investments	55,000	18,000
Purchase of long-term investments	(14,000)	(59,000)
Redemption of short-term investments	61,000	27,000
Purchase of short-term investments	(18,000)	—
Cash used to purchase Domenica, B.V. net of cash acquired	(17,334)	—
Cash used to complete Compliance Solutions (UK) Ltd. acquisition	(6,028)	—
Cash used to complete Nordic Spring acquisition	—	(1,511)
Purchases of property and equipment	(9,179)	(9,854)
Net cash provided by (used in) investing activities	<u>51,459</u>	<u>(25,365)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	12,396	11,421
Proceeds from issuance of common stock under Employee Stock Purchase Plan	7,915	5,750
Repurchase of common stock	(81,079)	(14,130)
Excess tax benefits from stock-based compensation	2,221	3,084
Cash dividends paid	(60,652)	—
Net cash (used in) provided by financing activities	<u>(119,199)</u>	<u>6,125</u>
Effect of exchange rate changes on cash	1,124	460
Net (decrease) increase in cash and cash equivalents	(39,469)	23,204
Cash and cash equivalents at beginning of period	121,095	88,439
Cash and cash equivalents at end of period	<u>\$ 81,626</u>	<u>\$ 111,643</u>

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

**RESOURCES CONNECTION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**Nine months ended February 29, 2008 and February 28, 2007**

**1. Description of the Company and its Business**

Resources Connection, Inc. ("Resources Connection") was incorporated on November 16, 1998. Resources Connection is a multinational professional services firm; its operating entities provide services under the name Resources Global Professionals ("Resources Global" or "the Company"). The Company provides clients with experienced professionals who specialize in accounting and finance, information management, human capital, supply chain management, legal services and internal audit and risk management on a project basis. The Company has offices in the United States ("U.S."), Asia, Australia, Canada, Europe and Mexico. Resources Connection is a Delaware corporation.

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The actual quarter end dates for the third quarter of fiscal 2008 and 2007, each consisting of 13 weeks, were February 23, 2008 and February 24, 2007, respectively. For convenience, all references herein to years or periods are to years or periods ended May 31, February 29 or February 28, respectively. Our fourth quarter ending May 31, 2008 will consist of 14 weeks.

**2. Summary of Significant Accounting Policies**

**Interim Financial Information**

The financial information as of and for the three and nine months ended February 29, 2008 and February 28, 2007 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair statement of its financial position at such dates and the operating results and cash flows for those periods. The 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 have been condensed or omitted pursuant to 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, 2007, which are included in the Company's Annual Report on Form 10-K for the year then ended (File No. 0-32113).

**Short and Long-Term Investments**

The Company accounts for its marketable securities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Accordingly, securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. Cost approximates market for these securities.

The Company had no long-term investments as of February 29, 2008.



## **Stock-Based Compensation**

The Company calculates stock-based compensation expense in accordance with SFAS No. 123 revised, “Share-Based Payment” (“SFAS 123 (R)”). This pronouncement requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including employee stock options and employee stock purchases made via the Resources Connection Inc. Employee Stock Purchase Plan (the “ESPP”), to be based on estimated values. The Company adopted SFAS 123 (R) using the modified prospective method, which required the application of the accounting standard as of June 1, 2006, the beginning of the Company’s 2007 fiscal year. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”) related to SFAS 123 (R). The Company applied the provisions of SAB 107 in adopting SFAS 123 (R).

SFAS 123 (R) requires companies to estimate the fair value of share-based payment 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 (four years under the Company’s 2004 Performance Incentive Plan). Under SFAS 123 (R), the Company determines the estimated value of stock options using the Black-Scholes valuation model. SFAS 123 (R) requires the Company to recognize expense over the service period for options that are expected to vest and record adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates. The Company recognizes stock-based compensation expense on a straight-line basis.

See Note 8 — *Stock-Based Compensation Plans* for further information on stock-based compensation expense and the resulting impact on the provision for income taxes.

## **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Stockholders’ Equity**

In July 2007, the Board of Directors approved a stock repurchase program, authorizing the repurchase, at the discretion of our Company’s senior executives, of our common stock for an aggregate dollar limit not to exceed \$150 million. Pursuant to this stock repurchase program, during the first nine months of fiscal 2008, the Company purchased approximately 3.7 million shares of our common stock at an average price of \$22.17 per share for approximately \$81.1 million.

## **4. Net Income Per Share**

The Company presents both basic and diluted earnings per share (“EPS”) amounts in accordance with SFAS No. 128, “Earnings Per Share.” This pronouncement establishes standards for the computation, presentation and disclosure requirements for EPS for entities with publicly held common shares and potential common shares. 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, exercise 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 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 share for the three and nine months ended February 29, 2008 and February 28, 2007 (in thousands, except per share amounts):

	Three months ended		Nine months ended	
	February 29, 2008	February 28, 2007	February 29, 2008	February 28, 2007
Net income	\$ 8,665	\$ 13,099	\$ 33,283	\$ 38,707
Basic:				
Weighted average shares	45,616	48,658	48,399	48,312
Diluted:				
Weighted average shares	45,616	48,658	48,399	48,312
Potentially dilutive shares	931	2,429	1,553	2,253
Total dilutive shares	46,547	51,087	49,952	50,565
Net income per share:				
Basic	\$ 0.19	\$ 0.27	\$ 0.69	\$ 0.80
Diluted	\$ 0.19	\$ 0.26	\$ 0.67	\$ 0.77

The potentially dilutive shares presented above do not include the anti-dilutive effect of approximately 4,990,000 and 3,908,000 potential common shares for the three months ended February 29, 2008 and February 28, 2007, respectively, and approximately 4,269,000 and 3,559,000 potential common shares for the nine months ended February 29, 2008 and February 28, 2007, respectively.

## 5. Acquisitions

On December 18, 2007, the Company acquired Domenica B.V. (“Domenica”), a Netherlands based provider of actuarial services to pension and life insurance companies. The Company paid cash of approximately \$19.4 million for the acquisition.

In accordance with SFAS No. 141, “Business Combinations,” the Company will allocate the purchase price of Domenica based on the fair value of the assets acquired and liabilities assumed. As of February 29, 2008, the \$19.4 million purchase price has been allocated based on the fair value of the assets acquired and liabilities assumed with the residual recorded as goodwill, pending completion of the Company’s valuation study. The Company is considering a number of factors in performing this valuation, including the valuation of the identifiable intangible assets. The goodwill and other identified intangibles recognized in this transaction are not deductible for tax purposes. Assuming Domenica was acquired on June 1, 2006, the pro forma impact to the Company’s revenue and net income was insignificant for the nine months ended February 28, 2007 and February 29, 2008.

The purchase agreement of Domenica also requires additional earn-out payments as follows: 1) for calendar year 2007, if Domenica’s earnings before interest, income taxes, depreciation and amortization (“EBITDA”) exceed 2.5 million Euros, then an amount equal to EBITDA less 400,000 Euros; 2) for calendar year 2008, if Domenica’s EBITDA exceed 2.5 million Euros, then an amount equal to EBITDA less 600,000 Euros. The first earn-out calculation is expected to be completed in the fourth quarter of fiscal 2008.

On June 1, 2007, the Company completed the acquisition of Compliance Solutions (UK) Ltd. (“Compliance Solutions”), a United Kingdom-based provider of regulatory compliance services to investment advisors, hedge funds, private equity and venture capital firms, insurance companies and other financial institutions. The Company paid approximately \$8.2 million for the acquisition, consisting of \$6.0 million in cash and \$2.2 million in the Company’s stock.

The acquisition was accounted for as a purchase in accordance with SFAS No. 141, “Business Combinations”. Under SFAS No. 141, the Company allocated the purchase price of Compliance Solutions based on the fair value of the assets acquired and liabilities assumed with the residual recorded as goodwill. During the quarter ended February 29, 2008, the Company completed its valuation study after considering a number of factors, including the valuation of the identifiable intangible assets. The total intangible assets acquired included approximately \$7.1 million of goodwill, \$16,000 for a non-compete agreement and \$763,000 for customer relationships. The goodwill and other intangibles recognized in this transaction are not deductible for tax purposes. The non-compete agreement will be amortized over one year and the customer relationships over five years.

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Assuming Compliance Solutions was acquired on June 1, 2006, the pro forma impact to the Company's revenue and net income was insignificant for the nine months ended February 28, 2007.

## 6. Intangible Assets and Goodwill

The following table presents details of our intangible assets, estimated lives and related accumulated amortization (amounts in thousands):

	As of February 29, 2008			As of May 31, 2007		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer relationships (2 — 5 years)	\$ 6,011	\$ (5,304)	\$ 707	\$ 5,248	\$ (4,942)	\$ 306
Associate and customer database (1 — 5 years)	1,766	(1,675)	91	1,766	(1,513)	253
Non-compete agreements (1 — 4 years)	818	(814)	4	802	(789)	13
Developed technology (3 years)	520	(520)	—	520	(520)	—
Trade name and trademark (indefinite life)	82	—	82	82	—	82
Total	<u>\$ 9,197</u>	<u>\$ (8,313)</u>	<u>\$ 884</u>	<u>\$ 8,418</u>	<u>\$ (7,764)</u>	<u>\$ 654</u>

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In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and other intangible assets with indeterminate lives are not subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. Intangible assets with finite lives continue to be subject to amortization, and any impairment is determined in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." There were no indicators of impairment as of February 29, 2008.

The Company recorded amortization expense of \$211,000 and \$318,000 for the three months ended February 29, 2008 and February 28, 2007, respectively, and \$549,000 and \$1.1 million for the nine months ended February 29, 2008 and February 28, 2007, respectively. See Note 5-*Acquisitions* regarding additions to intangible assets in the third quarter of fiscal 2008 related to the acquisition of Compliance Solutions. Estimated intangible asset amortization expense (based on existing intangible assets and excluding any intangible assets and related amortization that may be identified from the pending review of the acquisition of Domenica) for the years ending May 31, 2008, 2009, 2010, 2011 and 2012 is \$673,000, \$221,000, \$153,000, \$153,000 and \$153,000, respectively.

## 7. Segment Reporting

In accordance with the requirements of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," the Company discloses information regarding operations outside of the United States. The Company operates in 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 2007 Annual Report on Form 10-K for the fiscal year ended May 31, 2007. Summarized financial information regarding the Company's domestic and international operations is shown in the following table (amounts in thousands):

	<u>Revenue for the three months ended</u>		<u>Revenue for the nine months ended</u>		<u>Long-Lived Assets as of</u>	
	<u>February 29, 2008</u>	<u>February 28, 2007</u>	<u>February 29, 2008</u>	<u>February 28, 2007</u>	<u>February 29, 2008(1)</u>	<u>May 31, 2007(1)</u>
United States	\$ 146,999	\$ 142,060	\$ 443,868	\$ 409,223	\$ 32,217	\$ 29,720
The Netherlands	22,612	17,458	58,505	51,512	3,470	3,020
Other	33,192	27,946	101,188	74,640	4,032	2,607
Total	<u>\$ 202,803</u>	<u>\$ 187,464</u>	<u>\$ 603,561</u>	<u>\$ 535,375</u>	<u>\$ 39,719</u>	<u>\$ 35,347</u>

(1) Long-lived assets are comprised of building and land, computers and equipment, furniture and leasehold improvements and construction in progress.

## 8. Stock-Based Compensation Plans

### *Stock Options and Restricted Stock*

As of February 29, 2008, the Company had outstanding grants under the following share-based compensation plans:

- 2004 Performance Incentive Plan ("2004 Plan") — The 2004 Plan serves as the successor to the 1999 Long Term Incentive Plan ("1999 Plan"). A total of 5,500,000 new shares of common stock were made available for awards to employees and non-employee directors and may include, but are not limited to, stock options and restricted stock grants. Stock options vest in equal annual installments over four years and terminate ten years from the dates of grant. Restricted stock award vesting is determined on an individual grant basis. As of February 29, 2008, 1,704,000 shares were available for award grant purposes under the 2004 Plan.
- The 1999 Plan was terminated in 2004, except as to the outstanding options. Such options vest in equal annual installments over four years and terminate ten years from the dates of grant. There is a rollover provision to the 2004 Plan if a then-outstanding award expires or terminates without having become vested or exercised.

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The following table summarizes the stock option activity for the nine months ended February 29, 2008 (number of options and intrinsic value in thousands):

	<u>Number of Shares Subject to Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at May 31, 2007	9,186	\$ 20.88	7.39	\$ 100,706
Granted, at fair market value	396	\$ 24.95		
Exercised	(997)	\$ 12.43		\$ 17,187
Forfeited	(591)	\$ 26.19		
Outstanding at February 29, 2008	<u>7,994</u>	\$ 21.74	<u>6.93</u>	<u>\$ 11,169</u>
Exercisable at February 29, 2008	<u>5,121</u>	\$ 18.09	<u>6.07</u>	<u>\$ 11,160</u>

### *Stock-Based Compensation Expense*

The Company's income before income taxes included compensation expense for the three months ended February 29, 2008 and February 28, 2007 of \$6.1 million and \$5.0 million, respectively, and for the nine months ended February 29, 2008 and February 28, 2007 of \$17.3 million and \$14.4 million, respectively, related to stock-based compensation arrangements (including employee stock options, restricted stock grants and employee stock purchases made via the ESPP). There were no capitalized share-based compensation costs for the three and nine months ended February 29, 2008 and February 28, 2007.

Tax benefits and excess tax benefits resulting from the exercise of stock options are reflected as financing cash flows in the Company's statements of cash flows. For the nine months ended February 29, 2008 and February 28, 2007, excess tax benefits totaled \$2.2 million and \$3.1 million, respectively.

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 2008 and the exercise price times the number of shares that would have been received by the option holders if they had exercised their "in the money" options on February 29, 2008. This amount will change based on the fair market value of the Company's stock. The aggregate intrinsic value of stock options exercised for the nine months ended February 29, 2008 and February 28, 2007 was \$17.2 million and \$9.2 million, respectively. As of February 29, 2008, there was \$37.8 million of total unrecognized compensation cost related to stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 30 months.

Net cash proceeds from stock option exercises for the nine months ended February 29, 2008 and February 28, 2007 was \$12.4 million and \$11.4 million, respectively. The Company's policy is to issue shares from its authorized shares upon the exercise of stock options.

### *Employee Stock Purchase Plan*

The Company's stockholders approved the ESPP in October 2000. Under the terms of the ESPP, a total of 2,400,000 shares of common stock may be issued. The ESPP allows for qualified employees (as defined in the ESPP) to participate in the purchase of 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 Company issued 405,000 and 273,000 shares of common stock pursuant to this plan for the nine months ended February 29, 2008 and the year ended May 31, 2007, respectively. There are 907,000 shares of common stock available for issuance under the ESPP as of February 29, 2008.

*Provision for Income Taxes under SFAS 123 (R)*

The provision for income taxes decreased from \$10.4 million for the three months ended February 28, 2007 to \$7.9 million for the three months ended February 29, 2008. The effective tax rate was 47.7% for the third quarter of fiscal 2008 and 44.2% for the third quarter of fiscal 2007. The effective tax rate increased as a result of the Company's inability to recognize a larger tax benefit relative to the amount of stock-based compensation expense in the third quarter of fiscal 2008. Under SFAS 123 (R), the Company cannot recognize a potential tax benefit for certain incentive stock option ("ISO") grants unless and until the holder exercises his or her options 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 historical rates for the foreseeable future. Further, under SFAS 123 (R), the potential tax benefits associated with ISO grants fully vested at the date of adoption of SFAS 123 (R) will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company's tax provision. The Company recognized a benefit of approximately \$1.2 million related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the third quarter of fiscal 2008 compared with \$1.0 million in the same quarter of the prior fiscal year. The timing and amount of eligible disqualifying ISO exercises cannot be predicted. Beginning with grants in fiscal 2007, the Company began and intends to continue to primarily grant nonqualified stock options to employees in the United States.

**9. Income Taxes**

The Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" effective with the first quarter of fiscal 2008. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of FIN 48, the Company increased its liability for unrecognized tax benefits by \$656,000 with a corresponding decrease to retained earnings on June 1, 2007.

As of February 29, 2008 and June 1, 2007, the Company's total liability for unrecognized gross tax benefits was \$678,000 and \$656,000 respectively, which, if ultimately recognized would impact the effective tax rate in future periods. All of the unrecognized tax benefit at June 1, 2007 was classified as long-term liability. As of February 29, 2008, the unrecognized tax benefit included \$470,000 classified as long-term liability and \$208,000 classified as short-term liability. The \$208,000 classified as short term liability at February 29, 2008 results from US federal and state positions that are in their last year of the statute of limitations. An estimate of the range of reasonably possible change cannot be made at this time.

The Company's major income tax jurisdiction is the U.S, with federal income taxes, subject to examination for fiscal 2005 and thereafter. For states within the U.S. in which the Company does significant business, the Company remains subject to examination for fiscal 2004 and thereafter. Major foreign jurisdictions in Europe remain open for fiscal years ended 2002 and thereafter.

The Company continues to recognize interest expense and penalties related to income tax as a part of its provision for income taxes. As of February 29, 2008, the Company has provided \$86,000 of accrued interest and penalties as a component of the liability for unrecognized tax benefits.

**10. Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51" ("SFAS 160"). SFAS 160 requires (a) that noncontrolling (minority) interest be reported as a component of shareholders' equity; (b) that net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations; (c) that changes in a parent's ownership interest while the parent retains its

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controlling interest be accounted for as equity transactions; (d) that any retained noncontrolling equity investment upon the deconsolidation of the subsidiary be initially measured at fair value; and (e) that sufficient disclosures are provided that clearly identify and distinguish between the interest of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company currently has no noncontrolling interests that would require application of the pronouncement at the date of required implementation.

In December 2007, the FASB issued SFAS 141(revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) will significantly change how business combinations are accounted for and will be effective for business combinations the Company consummates on June 1, 2009 and thereafter.

In June 2007, the FASB ratified Emerging Issues Task Force ("EITF") Issue No. 06-11 ("EITF Issue No. 06-11"), "Accounting for Income Tax Benefits of Dividends on Shared-Based Payment Awards". EITF Issue No 06-11 requires that tax benefits generated by dividends paid during the vesting period on certain equity-classified share-based compensation awards be treated as additional paid-in capital and included in a pool of excess tax benefits available to absorb tax deficiencies from share-based payment awards. EITF Issue No. 06-11 is effective beginning with the 2009 fiscal year. The Company is analyzing the impact of EITF Issue No. 06-11 on its consolidated financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FAS 115" ("SFAS 159"), which permits companies to measure certain financial assets and financial liabilities at fair value. Under SFAS 159, companies that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis. SFAS 159 establishes presentation and disclosure requirements to clarify the effect of a company's election on its earnings but does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet. SFAS 159 is effective as of the beginning of our 2009 fiscal year. The Company does not expect the adoption of SFAS 159 to have a material impact on its consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance for using fair value to measure assets and liabilities. The pronouncement clarifies (1) the extent to which companies measure assets and liabilities at fair value; (2) the information used to measure fair value; and (3) the effect that fair value measurements have on earnings. SFAS 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. SFAS 157 is effective as of the beginning of our 2009 fiscal year. The Company does not expect the adoption of SFAS 157 to have a material impact on its consolidated financial position or results of operations.

### **11. Supplemental Cash Flow Information**

The Statement of Cash Flows for the nine months ended February 29, 2008 does not include under the caption "cash flows from investing activities" the non-cash issuance of 66,715 shares of the Company's common stock held in treasury, representing \$2.2 million of the \$8.2 million purchase price for Compliance Solutions. The Statement of Cash Flows for the nine months ended February 28, 2007 does not include under the caption "cash flows from investing activities" the non-cash issuance of 65,170 shares of the Company's common stock, representing 50% of the \$3.0 million purchase price for the remaining 20% of the outstanding shares of Nordic Spring.

The Statement of Cash Flows for the nine months ended February 29, 2008 and February 28, 2007 does not include under the caption "cash flows from financing activities" the non-cash cancellation of 10,000 and 289,538 shares, respectively, of the Company's common stock that had been classified as treasury stock. In accordance with the amendment to the Company's 2004 Performance Incentive Plan that was approved by shareholders during the second quarter of fiscal 2007, the Company was no longer able to reissue these shares at a future date.

**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 financial statements and related 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,” “should,” or “will” 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, some of which are identified in Item 1A Risk Factors below and in our report on Form 10-K for the year ended May 31, 2007 (File No. 0-32113). Readers are cautioned not to place undue reliance on these forward-looking statements. Our actual results, levels of activity, performance or achievements and those of our industry may be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to update the forward-looking statements in this filing. References in this filing to “Resources Connection,” “Resources Global Professionals,” “Resources Global,” the “Company,” “we,” “us,” and “our” refer to Resources Connection, Inc. and its subsidiaries.

**Overview**

Resources Global is a multi-national professional services firm that provides experienced finance and accounting, risk management and internal audit, information management, human capital, supply chain management and legal services professionals to clients on a project basis. We assist our clients with discrete projects requiring specialized expertise in:

- finance and accounting services, such as mergers and acquisitions due diligence, financial analyses (e.g., product costing and margin analyses), corporate reorganizations, budgeting and forecasting, audit preparation, public entity reporting and tax-related projects;
- information management services, such as financial system/enterprise resource planning implementation and post implementation optimization;
- human capital services, such as change management and compensation program design and implementation;
- risk management and internal audit services (provided via our subsidiary Resources Audit Solutions or “RAS”), including compliance reviews, internal audit co-sourcing and assisting clients with their compliance efforts under the Sarbanes-Oxley Act of 2002 (“Sarbanes”);
- supply chain management (“SCM”) services, such as leading strategic sourcing efforts, contract negotiations and purchasing strategy; and
- legal services such as providing attorneys, paralegals and contract managers to assist clients (including law firms) with project-based or peak period needs.

We were founded in June 1996 as a division of Deloitte & Touche and operated as Resources Connection, LLC, a wholly owned subsidiary of Deloitte & Touche, from January 1997 until April 1999. In November 1998, our management formed RC Transaction Corp., renamed Resources Connection, Inc., to raise capital for an intended management-led buyout. In April 1999, we completed the 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. We currently trade on the NASDAQ Global Select Market. In January 2005, we announced the change of our operating entity name to Resources Global Professionals to better reflect the Company’s global capabilities.

The following table summarizes for each fiscal year the number of offices opened, international expansion and the creation of additional service lines.

<b>Fiscal Year</b>	<b>Number of United States Offices Opened</b>	<b>Number of International Offices Opened</b>	<b>Service Line Established</b>
1997	Nine		Finance and accounting services
1998	Nine		
1999	Ten		Information management services
2000	Four	Three	Human capital services
2001	Nine	One	
2002	Two		
2003	Six	One	RAS; SCM (via acquisition)



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<u>Fiscal Year</u>	<u>Number of United States Offices Opened</u>	<u>Number of International Offices Opened</u>	<u>Service Line Established</u>
2004	Two opened; two consolidation closures	Seven opened via acquisition; one organic	
2005	Two opened; two consolidation closures	One opened via acquisition; two organic	Legal services
2006	Three	Two opened via acquisition; eight organic	
2007	One	Eight organic opened; three consolidation closures	
2008	Three (including corporate headquarters)	Three opened via acquisition; one organic; two consolidation closures	

As of February 29, 2008, the Company served our clients through 56 offices in the United States and 33 offices abroad.

### **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. 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.

**Valuation of long-lived assets**—We assess the potential impairment of long-lived tangible and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Under the current accounting standard, our goodwill and certain other intangible assets are not subject to periodic amortization over their estimated useful lives. These assets are now 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 values, our operating performance and other factors, these assessments could potentially result in impairment reductions of these intangible assets in the future and these adjustments may materially affect the Company's future financial results.

**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, review of historical receivable and reserve trends and other pertinent information. If the financial condition of our clients deteriorates or we note an unfavorable trend in aggregate receivable collections, additional allowances may be required and these additional allowances may 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. If the ultimate tax liability is different than the amount of tax expense we have reflected in the Consolidated Statements of Income, an adjustment of tax expense may need to be recorded and this adjustment may materially affect the Company's future financial results.

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**Revenue recognition**—We generally charge our clients on an hourly basis for the professional services of our associates. 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 associates. This type of contractually non-refundable revenue is recognized at the time our client completes the hiring process.

**Stock-based Compensation**—Under our 2004 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, under our Employee Stock Purchase Plan (“ESPP”), may make employee stock purchases. Effective June 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (“SFAS”) No. 123 revised, “Share-Based Payment” (“SFAS 123 (R)”). SFAS 123 (R) requires that the Company estimate the value of employee stock options on the date of grant using an option-pricing model. We have elected to use the Black-Scholes 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 and risk-free interest rate over the expected term of our employee stock options. In addition, because stock-based compensation expense recognized in the Statement of Income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123 (R) requires forfeitures to 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 the application of SFAS 123 (R) in future periods, the compensation expense recorded under SFAS 123 (R) may differ materially from the amount recorded in the current period.

The weighted average estimated value per share of employee stock options granted during the three months ended February 29, 2008 was \$7.15 using the Black-Scholes model with the following assumptions:

	<b>Three months ended February 29, 2008</b>
Expected volatility	39.9%
Risk-free interest rate	3.28%
Expected dividends	0.0%
Expected life	5.23 years

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on our previous history of not paying dividends and our expectation that the special dividend paid in August 2007 is an isolated event. As permitted under Staff Accounting Bulletin No. 107 (“SAB No. 107”), the Company used the “vanilla option” term for measuring the expected life of stock option grants during the first nine months of fiscal 2007; under this option, a stock option grant with a 10 year contractual life and four year vesting would have an expected life of 6.25 years. After completion of a review of the Company’s historical expected life of stock option grants, the Company modified its expected life to approximately 5.23 years for the grants made subsequent to the third quarter of fiscal 2007. Also, as permitted under SAB No. 107, the Company has used its historical volatility to estimate the expected volatility of the price of its common stock.

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.

### Three Months Ended February 29, 2008 Compared to Three Months Ended February 28, 2007

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

**Revenue.** Revenue increased \$15.3 million, or 8.2%, to \$202.8 million for the three months ended February 29, 2008 from \$187.5 million for the three months ended February 28, 2007. An improvement in our average bill rate per hour was the primary cause of the increase in revenue. All the service lines experienced growth in the third quarter of fiscal 2008 compared to fiscal 2007's third quarter (except for the RAS and human capital service lines). Although we believe we have improved the awareness of our service offerings with clients and prospective clients in part because of assistance we have provided during the initial years of compliance with Sarbanes, there can be no assurance that there will be continuing demand for Sarbanes or related internal accounting control services or that our provision of such services will increase demand from our existing clients for our other service lines.

Average bill rates for the three months ended February 29, 2008 improved by 8.6% from the same period in the prior year. The number of associates on assignment at the end of the third quarter of fiscal 2007 of 3,142 increased to 3,272 at the end of the third quarter of fiscal 2008; however, although the number of associates at the end of the third quarter of fiscal 2008 was higher, the total number of hours worked during the two quarters was about the same. The Company operated 89 and 82 offices during the third quarters of fiscal 2008 and fiscal 2007, respectively.

Revenue for the United States ("U.S.") offices improved 3.4% or \$4.9 million from \$142.1 million for the three months ended February 28, 2007 to \$147.0 million for the three months ended February 29, 2008. Revenue for the Dutch practice improved 29.1% or \$5.1 million, from \$17.5 million for the three months ended February 28, 2007 to \$22.6 million for the three months ended February 29, 2008. The Dutch practice includes the results of Domenica, B.V. ("Domenica"), a Netherlands based provider of actuarial services to pension and life insurance companies from the date of acquisition, December 18, 2007. The other international offices' revenue grew 19.0% or \$5.3 million, from \$27.9 million for the three months ended February 28, 2007 to \$33.2 million for the three months ended February 29, 2008. On a constant currency basis, international revenues (including the Netherlands) would have been lower by about \$4.3 million in the third quarter of fiscal 2008 using the comparable fiscal 2007 third quarter conversion rates.

Revenue in the third quarter of fiscal 2008 of \$202.8 million was \$3.8 million less than in the second quarter of fiscal 2008. The traditional holiday season impacted hours worked by associates and we believe we lost six to seven days of billable time compared to a non-holiday period. In addition, the Company's rate of increase in weekly hours worked slowed compared to the prior quarter.

Our clients do not sign long-term contracts with us. Therefore, our future revenue or operating results cannot be reliably predicted from previous quarters or from extrapolation of past results.

**Direct Cost of Services.** Direct cost of services increased \$11.4 million, or 9.8%, to \$127.3 million for the three months ended February 29, 2008 from \$115.9 million for the three months ended February 28, 2007. The increase in direct cost of services was primarily attributable to the increase in our associates average pay rates; overall, the average pay rate per hour increased by 9.0% year-over-year. The direct cost of services as a percentage of revenue (the "direct cost of services percentage") was 62.8% and 61.8% for the three months ended February 29, 2008 and February 28, 2007, respectively. The direct cost of services percentage changed between the two quarters primarily because of vacation accrual expenses related to the Company's grant of an extra week of vacation for U.S. associates who met eligibility requirements—effective beginning in the first quarter of fiscal 2008; and an increase in direct hourly payroll expenses compared to hourly revenues.

The cost of compensation and related benefits offered to the associates of our international offices has been greater as a percentage of revenue than our domestic operations. In addition, international offices use typically more expensive independent contractors more extensively. Thus, the direct cost of services percentage of our international offices has usually exceeded our domestic operation's targeted direct cost of services percentage of 60%.

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**Selling, General and Administrative Expenses.** Selling, general and administrative expenses (“S, G & A”) increased as a percentage of revenue from 25.9% for the quarter ended February 28, 2007 to 28.4% for the quarter ended February 29, 2008. S, G & A increased \$8.9 million, or 18.3%, to \$57.5 million for the three months ended February 29, 2008 from \$48.6 million for the three months ended February 28, 2007. The change in S, G & A primarily stems from increased personnel and related benefit costs, in both our domestic and international markets. Management and administrative headcount grew from 790 at the end of the third quarter of fiscal 2007 to 887 at the end of the third quarter of fiscal 2008. After considering its accounts receivable aging statistics and other qualitative factors, the Company did not recognize any addition to its allowance for doubtful accounts in the third quarter of fiscal 2008 compared to a \$134,000 addition in the third quarter of fiscal 2007.

**Amortization and Depreciation Expense.** Amortization of intangible assets decreased to \$211,000 in the third quarter of fiscal 2008 compared to \$318,000 in the prior year’s third quarter. Amortization decreased in the third quarter of fiscal 2008 compared to the prior year’s third quarter as amortization was complete on certain intangible assets. This decrease was offset by the Company completing its valuation study during the third quarter of fiscal 2008 of its June 2007 purchase of Compliance Solutions (UK) Ltd. The Company considered a number of factors in performing this study, including the valuation of the identifiable intangible assets. The total intangible assets acquired included approximately \$7.1 million of goodwill, \$16,000 for a non-compete agreement and \$763,000 for customer relationships. The non-compete agreement will be amortized over one year and the customer relationships over five years. The Company has not completed an analysis of the allocation of the purchase price related to its acquisition of Domenica, B.V. on December 18, 2007. The Company will consider a number of factors in performing this valuation, including a valuation of identifiable intangible assets but does not expect such a valuation to have a material impact on its results of operations.

Depreciation expense increased from \$1.6 million for the three months ended February 28, 2007 to \$2.2 million for the three months ended February 29, 2008. The increase in depreciation was related to a higher asset base due to the investments made in offices relocated or expanded since February 2007, and investments in the Company’s operating system and other information technology. As the Company continues to invest in new offices and in expanded or new space for existing offices, the Company expects that depreciation expense will increase.

**Interest Income.** During the third quarter of fiscal 2008, interest income was \$952,000 compared to interest income of \$2.4 million in the third quarter of fiscal 2007. The decrease in interest income is the result of a lower average cash balance available for investment in the third quarter of fiscal 2008 and declining interest rates compared to the prior year’s third quarter. The Company’s average cash balance declined during the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 as the Company used approximately \$81.1 million to purchase its common stock; paid a special dividend of approximately \$60.7 million in the first quarter of fiscal 2008; and used approximately \$19.4 million to acquire Domenica in December 2007. As a result of these uses of cash, the Company anticipates that its interest income will decline in the fourth quarter of fiscal 2008 if rates are constant.

The Company has invested available cash in money market and commercial paper investments that have been classified as cash equivalents due to the short maturities of these investments. As of February 29, 2008, the Company also has \$18.0 million of investments in commercial paper with remaining maturity dates between three months and one year from the purchase date, which are classified as short-term investments and considered “held-to-maturity” securities.

**Income Taxes.** The provision for income taxes decreased from \$10.4 million for the three months ended February 28, 2007 to \$7.9 million for the three months ended February 29, 2008. The provision declined primarily because of a reduction in the Company’s pretax income in the third quarter of 2008 as compared to the third quarter of fiscal 2007 offset by an increase in the Company’s effective tax rate between the two quarters. The effective tax rate was 47.7% for the third quarter of fiscal 2008 and 44.2% for the third quarter of fiscal 2007. The effective tax rate increased as a result of the Company’s inability to recognize a larger tax benefit relative to the amount of stock-based compensation expense in the third quarter of fiscal 2008. Under SFAS 123 (R), the Company cannot recognize a potential tax benefit for certain incentive stock option (“ISO”) grants unless and until the holder exercises his or her options and then sells the shares within a certain period of time. In the third quarter of fiscal 2008, holders of ISOs exercised a smaller amount of options than in the comparable period of the prior year. 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.

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As a result, the Company's provision for income taxes is likely to fluctuate from historical rates for the foreseeable future. Further, under SFAS 123 (R), the potential tax benefits associated with ISO grants fully vested at the date of adoption of SFAS 123 (R) will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company's tax provision. The Company recognized a benefit of approximately \$1.2 million related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the third quarter of fiscal 2008 compared with \$1.0 million in the same quarter of the prior fiscal year. The timing and amount of eligible disqualifying ISO exercises cannot be predicted. Beginning with grants in fiscal 2007, the Company began and intends to continue to primarily grant nonqualified stock options to employees in the United States.

Periodically, the Company reviews the components of both book and taxable income to analyze the adequacy of the tax provision. There can be no assurance that the Company's effective tax rate will not increase in the future.

### **Nine Months Ended February 29, 2008 Compared to Nine Months Ended February 28, 2007**

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

**Revenue.** Revenue increased \$68.2 million, or 12.7%, to \$603.6 million for the nine months ended February 29, 2008 from \$535.4 million for the nine months ended February 28, 2007. The continued expansion of our scope of services and improved overall demand for our services in fiscal 2008 resulted in more billable hours for our associates and an improvement in our average bill rate per hour, which triggered the increase in revenue.

Average bill rates improved by 7.2% for the nine months ended February 29, 2008 compared to the average bill rate for the same period in the prior year. The increase in revenue was also driven by the increase in the number of associates on assignment from 3,142 at the end of the third quarter of fiscal 2007 to 3,272 at the end of the third quarter of fiscal 2008. At the end of the first nine months of fiscal 2008 and fiscal 2007, we operated 89 and 82 offices, respectively.

Revenue for U.S. offices improved 8.5% or \$34.7 million from \$409.2 million for the nine months ended February 28, 2007 to \$443.9 million for the nine months ended February 29, 2008. Revenue for the Dutch practice improved 13.6% or \$7.0 million, from \$51.5 million for the nine months ended February 28, 2007 to \$58.5 million for the nine months ended February 29, 2008. The Dutch practice includes the revenue of Domenica, a Netherlands based provider of actuarial services to pension and life insurance companies from the date of acquisition, December 18, 2007. The other international offices' revenue grew 35.7% or \$26.6 million, from \$74.6 million for the nine months ended February 28, 2007 to \$101.2 million for the nine months ended February 29, 2008. On a constant currency basis, international revenues (including the Netherlands) would have been lower by about \$11.5 million in the first nine months of fiscal 2008 using the comparable period of fiscal 2007 conversion rates.

**Direct Cost of Services.** Direct cost of services increased \$48.9 million, or 15.0%, to \$374.9 million for the nine months ended February 29, 2008 from \$326.0 million for the nine months ended February 28, 2007. The increase in direct cost of services was attributable to the previously described expansion of the scope of services resulting in more chargeable hours for our associates at higher average pay rates; overall, the average pay rate per hour increased by 7.6% year-over-year. The direct cost of services percentage was 62.1% and 60.9% for the nine months ended February 29, 2008 and February 28, 2007, respectively. The direct cost of services percentage changed between the two periods primarily because of vacation accrual expenses related to the Company's grant of an extra week of vacation for U.S. associates who met eligibility requirements—effective beginning the first quarter of fiscal 2008; and an increase in direct payroll expenses compared to hourly revenues.

**Selling, General and Administrative Expenses.** S, G & A increased as a percentage of revenue from 26.1% for the nine months ended February 28, 2007 to 27.5% for the nine months ended February 29, 2008. S, G & A increased \$26.1 million, or 18.6%, to \$166.1 million for the nine months ended February 29, 2008 from \$140.0 million for the nine months ended February 28, 2007. The change in S, G & A primarily stems from increased personnel and related benefit costs, in both our domestic and international markets. Management and administrative headcount grew from 790 at the end of the third quarter of fiscal 2007 to 887 at the end of the third quarter of fiscal 2008. Other factors that contributed to the increase in S, G & A in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 were an increase in the amount of stock-based compensation expense and an increase in bonus expense as a result of the Company's improved revenue results.

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**Amortization and Depreciation Expense.** Amortization of intangible assets decreased to \$549,000 in the first nine months of fiscal 2008 compared to \$1.1 million in the prior year's first nine months as certain intangibles are now fully amortized.

Depreciation expense increased from \$4.4 million for the nine months ended February 28, 2007 to \$6.1 million for the nine months ended February 29, 2008. The increase in depreciation was related to a higher asset base due to the investments made in offices relocated or expanded since May 2006, and investments in the Company's operating system and other information technology.

**Interest Income.** During the first nine months of fiscal 2008, interest income was \$5.1 million compared to interest income of \$6.3 million for the first nine months of fiscal 2007. The decrease is the result of a lower average balance available for investment in the first nine months of fiscal 2008 as compared to the first nine months of fiscal 2007, coupled with lower rates in the fiscal 2008 period. The Company's average cash balance declined during the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 because the Company used approximately \$127.0 million to purchase its common stock since February 2007; paid a special dividend of approximately \$60.7 million in the first quarter of fiscal 2008; and used approximately \$19.4 million to acquire Domenica in December 2007.

**Income Taxes.** The provision for income taxes decreased from \$31.5 million for the nine months ended February 28, 2007 to \$27.8 million for the nine months ended February 29, 2008. The provision declined primarily because of a reduction in the Company's pretax income in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 offset by an increase in the Company's effective tax rate between the two periods. The effective tax rate was 45.5% for the first nine months of fiscal 2008 and 44.9% for the first nine months of fiscal 2007. The effective tax rate increased because the Company's pre-tax income declined from \$70.2 million for the nine months ended February 28, 2007 to \$61.1 million for the nine months ended February 29, 2008; as a result, the percentage impact of the Company's inability to recognize a potential tax benefit for certain ISO grants under SFAS 123 (R) is greater than in the previous year. Under SFAS 123 (R), the Company cannot recognize a potential tax benefit for certain ISOs unless and until the holder exercises his or her options 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 historical rates for the foreseeable future. Further, under SFAS 123 (R), the potential tax benefits associated with ISO grants that were fully vested at the date of adoption of SFAS 123 (R) will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company's tax provision. The Company recognized a benefit of approximately \$3.6 million related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the first nine months of fiscal 2008 compared with \$2.3 million in the first nine months of fiscal 2007. The timing and amount of eligible disqualifying ISO exercises cannot be predicted.

**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 are not meaningful indicators of future performance.

## **Liquidity and Capital Resources**

Our primary source of liquidity is cash provided by our operations. On an annual basis, we have generated positive cash flows from operations since inception.

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, a London Inter-Bank Offered ("LIBOR") rate plus 1.5% or Bank of America's Grand Cayman Banking Center ("IBOR") rate plus 1.5%. Interest, if any, is payable monthly. There is an annual facility fee of 0.25% payable on the unutilized portion of the Credit Agreement. The Credit Agreement expires December 1, 2009. As of February 29, 2008, the Company had \$2.4 million available under the terms of the Credit Agreement as Bank of America has issued \$600,000 of outstanding letters of credit in favor of third parties related to operating leases. The Company is in compliance with all covenants included in the Credit Agreement.

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Net cash provided by operating activities was \$27.1 million for the nine months ended February 29, 2008 compared to \$42.0 million for the nine months ended February 28, 2007. Cash provided by operations in the first nine months of fiscal 2008 resulted from net income of \$33.3 million, adjusted for non-cash items of \$17.4 million, and offset by net cash used for changes in operating assets and liabilities of \$23.6 million. In the first nine months of fiscal 2007, cash provided by operations resulted from net income of the Company of \$38.7 million, adjusted for non-cash items of \$14.8 million, and offset by net cash used for changes in operating assets and liabilities of \$11.5 million. Non-cash items include expense for stock-based compensation; these charges do not reflect an actual cash outflow from the Company but are an estimate of the fair value of the services provided by employees and directors in exchange for stock option grants and purchase of stock through the ESPP. As of February 29, 2008, the Company had \$81.6 million of cash and cash equivalents and \$18.0 million of investments in "A1" or "A1+" rated commercial paper.

Net cash provided by investing activities was \$51.5 million for the first nine months of fiscal 2008 compared to a net use of cash of \$25.4 million in the first nine months of fiscal 2007. Cash used to invest in short-term and long-term marketable securities (commercial paper and government agency bonds) net of cash received from the redemption of short-term and long-term investments, resulted in a net source of \$84.0 million in the first nine months of fiscal 2008 compared to a net use of \$14.0 million in the first nine months of fiscal 2007. The Company utilized some of its portfolio of investments in the first nine months of fiscal 2008 to provide funding for the dividend and stock purchases discussed in the financing activities paragraph below. During fiscal 2008, the Company purchased Compliance Solutions (UK) Ltd., a United Kingdom-based provider of regulatory compliance services, for approximately \$8.2 million, including cash of approximately \$6.0 million, and Domenica, a Netherlands-based provider of actuarial services to pension and life insurance companies for approximately \$19.4 million (excluding cash acquired of \$2.1 million). In addition, the Company spent approximately \$9.2 million on property and equipment in the first nine months of fiscal 2008, compared to \$9.9 million in the first nine months of fiscal 2007.

Net cash used in financing activities totaled \$119.2 million for the nine months ended February 29, 2008, compared to a source of cash of \$6.1 million for the nine months ended February 28, 2007. The primary cause of the change between the two periods was the payment by the Company in August 2007 of a special cash dividend of \$1.25 per share of common stock for an aggregate amount of approximately \$60.7 million. No dividend was paid in the first nine months of fiscal 2007. In addition, the Company also used cash during the nine months ended February 29, 2008 and February 28, 2007 to repurchase approximately 3.7 million and 600,000 shares of the Company's common stock, respectively, for approximately \$81.1 million and \$14.1 million, respectively. In the first nine months of fiscal 2008, the Company received cash from stock option exercises and purchases of common stock through the ESPP of \$20.3 million compared to \$17.2 million in the corresponding period of fiscal 2007.

Our ongoing operations and anticipated growth in the geographic markets we currently serve will require us to continue making investments in capital equipment, primarily technology hardware and software. In addition, we may consider making additional 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 equity securities or secure debt financing. The sale of equity securities or the addition of new debt financing could result in 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, 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 for the nine months ended February 29, 2008 and February 28, 2007.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

**Interest Rate Risk.** At the end of the third quarter of fiscal 2008, we had approximately \$99.6 million of cash and highly liquid 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 bonds. Cost approximates market for these securities. All income generated from these current investments is recorded as interest income.

The earnings on these investments are subject to changes in interest rates, and to the extent interest rates were to decline, it would reduce our interest income.

**Foreign Currency Exchange Rate Risk.** Prior to fiscal 2004, our foreign operations were not significant to our overall operations, and our exposure to foreign currency exchange rate risk was low. However, as our strategy to continue expanding foreign operations progresses, more of our revenues will be derived from foreign operations denominated in the currency of the applicable markets.

For the quarter ended February 29, 2008, approximately 27.5% 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 U.S. dollar. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Thus, as the value of the U.S. dollar fluctuates relative to the currencies in our non-U.S. based operations, our reported results may vary.

Assets and liabilities of our non-U.S. based operations are translated into U.S. dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 72% of our balances of cash and short-term investments as of February 29, 2008 were denominated in U.S. dollars. The remainder of our cash was comprised primarily of cash balances translated from Euros, Japanese Yen, Hong Kong Dollars, British Pound Sterling or Swedish Krona. The difference resulting from the translation each period of assets and liabilities of our non-U.S. based operations are recorded in stockholders' equity as a component of "Accumulated Other Comprehensive Income".

Although we intend to monitor our exposure to foreign currency fluctuations, including the use of financial hedging techniques if and when we may deem it appropriate, we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

### ITEM 4. CONTROLS AND PROCEDURES

As of the end of the third quarter of fiscal 2008, the Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). 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 29, 2008 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. 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 29, 2008 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



**PART II**  
**OTHER INFORMATION**

**Item 1. Legal Proceedings**

We are not a party to any material legal proceedings.

**Item 1A. Risk Factors**

**There have been no material changes in our risk factors from those disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 31, 2007, which was filed with the Securities and Exchange Commission on July 25, 2007. 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.**

***We must provide our clients with highly qualified and experienced associates, and the loss of a significant number of our associates, or an inability to attract and retain new associates, 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 associates who possess the skills and experience necessary to satisfy their needs. Such professionals are in great demand, particularly in certain geographic areas, and are likely to remain a limited resource for the foreseeable future. Our ability to attract and retain associates with the requisite experience and skills depends on several factors including, but not limited to, our ability to:

- provide our associates with full-time employment;
- obtain the type of challenging and high-quality projects that our associates seek;
- pay competitive compensation and provide competitive benefits; and
- provide our associates with flexibility as to hours worked and assignment of client engagements.

We cannot assure you that we will be successful in accomplishing any of these factors and, even if we are, that we will be successful in attracting and retaining the number of highly qualified and experienced associates 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. Recent activity, such as the decline in our stock price and the non-passage of the amendment to approve an increase to the number of shares available for option grants, may make it more difficult for us to effectively use equity compensation as a key component of our employee compensation program. In addition, as a result of our adoption of SFAS 123(R) in the first quarter of fiscal 2007, the use of stock options and other stock-based awards to attract and retain employees could become more limited due to the possible impact on our results of operations. These developments could make it more difficult to attract, retain and motivate employees.

***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 associates 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 and national accounting firms;
- independent contractors;
- traditional and Internet-based staffing firms; and
- the in-house resources of our clients.

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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 associates. In addition, our competitors may be able to respond more quickly to changes in companies' needs and developments in the professional services industry.

### ***An economic downturn or change in the use of outsourced professional services associates could adversely affect our business.***

During the downturn in the economy of the United States during fiscal 2002 and 2003, our business was adversely affected. As the general level of economic activity slowed, our clients delayed or cancelled plans that involved professional services, particularly outsourced professional services. Consequently, we experienced fluctuations in the demand for our services. In addition, the use of professional services associates on a project-by-project basis could decline for non-economic reasons. In the event of a reduction in the demand for our associates, our financial results could suffer.

### ***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. 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 associates or for our clients' mistreatment of our associates.***

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. It is likely, because of the nature of our business, that we will be sued in the future. 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 associates in the workplaces of other companies, we are subject to possible claims by our associates 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 associates. 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 associates and clients.

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

We grew rapidly from our inception in 1996 until 2001 by opening new offices and by increasing the volume of services we provided through existing offices. We experienced a decline in revenue in fiscal 2002, but revenue has increased in each subsequent fiscal year. However, 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 a number of factors, including our ability to:

- grow our client base;
- expand profitably into new cities;
- provide additional professional services offerings;
- hire qualified and experienced associates;
- maintain margins in the face of pricing pressures;
- manage costs; and
- maintain or grow revenues for both Sarbanes-related and internal audit related services as well as other service offerings from clients who have initially engaged us for Sarbanes compliance.

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Even if we are able to continue our growth, 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. Failure to adequately respond to these new responsibilities and demands may adversely affect our business, financial condition and results of operation.

### ***The increase in our international activities will expose us to additional operational challenges that we might not otherwise face.***

As we increase our international activities, we will have 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 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;
- dilution of our stock as a result of issuing equity securities; and
- assumption of liabilities of the acquired company.

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

Our future success depends upon the continued employment of Donald B. Murray, our chief executive officer. The departure of Mr. Murray or other members of our management team could significantly disrupt our operations. Key members of our senior management team, among others, include Karen M. Ferguson, an executive vice president and president of North American operations; Anthony Cherbak, executive vice president and chief operating officer; Kate W. Duchene, chief legal officer and executive vice president of human relations; Nathan W. Franke, executive vice president and chief financial officer; and John D. Bower, senior vice president, finance. We do not have employment agreements with Mr. Cherbak, Ms. Duchene, Mr. Franke or Mr. Bower.

***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 associates eligible for our offered benefits as the average length of employment with the Company increases;
- the number of holidays in a quarter, particularly the day of the week on which they occur;
- changes in the pricing of our professional services or those of our competitors;
- the amount and timing of operating costs and capital expenditures relating to management and expansion of our business;
- 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.

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 control over financial reporting as of the end of each fiscal year. Section 404 also requires our independent registered public accountant to attest to, and 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.

Although our management has determined, and our independent registered public accountant has attested, that internal control over financial reporting was effective as of May 31, 2007, we cannot assure you that we or our independent registered public accountant will not identify a material weakness in our internal control over financial reporting in the future. A material weakness in our internal control over financial reporting would require management and our independent registered public accountant to evaluate our internal control over financial reporting 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.

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

Delaware corporate law and our amended and restated certificate of incorporation and bylaws contain provisions that could delay, defer or prevent a change of control of our 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;

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- 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 can be amended only by supermajority vote of the outstanding shares and that our bylaws can be amended only by supermajority vote of the outstanding shares 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.

The Company's board of directors has adopted a stockholder rights plan, which is described further in Note — 10 *Stockholders' Equity* of the "Notes to Consolidated Financial Statements" included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2007. The existence of this rights plan may also have the effect of delaying, deferring or preventing a change of control of our Company or our management by deterring acquisitions of our stock not approved by our board of directors.

***Beginning with the first quarter of fiscal 2007, we were 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.***

Effective as of the beginning of the first quarter of fiscal 2007, we were required to adopt SFAS 123 (R), which requires the measurement and recognition of compensation expense for all stock-based compensation based on estimated values. Thus, operating results beginning with fiscal 2007 contain a non-cash charge for stock-based compensation expense related to employee stock options and our employee stock purchase plan. The application of SFAS 123 (R) generally 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 in accordance with SFAS 123(R) and Staff Accounting Bulletin No. 107 using an option-pricing model, that value may not be indicative of the fair value observed in a willing buyer/willing seller market transaction.

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As a result of the adoption of SFAS 123 (R), our earnings are lower than they would have been had we not been required to adopt SFAS 123 (R). There also is variability in our net income due to the timing of the exercise of options that trigger disqualifying dispositions which impact our tax provision. This will continue to be the case for future periods. We cannot predict the effect that this adverse impact on our reported operating results will have on 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. 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.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In July 2007, our board of directors approved a new stock repurchase program, authorizing the repurchase, at the discretion of our Company's senior executives, of our common stock for an aggregate dollar limit not to exceed \$150 million. The table below provides information regarding our stock purchases made during the third quarter of fiscal 2008 under our stock repurchase program.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Approximate Dollar Value of Shares that May Yet be Purchased Under the Program</b>
November 25, 2007 — December 22, 2007	450,000	\$ 18.32	450,000	\$ 74,354,899
December 23, 2007 — January 19, 2008	293,868	\$ 18.49	293,868	\$ 68,920,838
January 20, 2008 — February 23, 2008	—	\$ —	—	\$ 68,920,838
Total November 25, 2007 — February 23, 2008	<u>743,868</u>	<u>\$ 18.39</u>	<u>743,868</u>	<u>\$ 68,920,838</u>

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**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Submission of Matters to a Vote of Security Holders**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

a) Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of Resources Connection, Inc. (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 30, 2004).
- 3.2 Amended and Restated Bylaws of Resources Connection, Inc.\*
- 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.\*

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\* Filed herewith



**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 3, 2008

/s/ Donald B. Murray

**Donald B. Murray**  
**President and Chief Executive Officer**

Date: April 3, 2008

/s/ Nathan W. Franke

**Nathan W. Franke**  
**Chief Financial Officer and**  
**Executive Vice President**  
**(Principal Financial Officer)**

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
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\* Filed herewith

AMENDED AND RESTATED BYLAWS  
OF  
RESOURCES CONNECTION, INC.  
(A DELAWARE CORPORATION)

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AMENDED AND RESTATED BYLAWS  
OF  
RESOURCES CONNECTION, INC.  
(A DELAWARE CORPORATION)

ARTICLE I  
OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II  
CORPORATE SEAL

Section 3. Corporate Seal. It shall not be necessary to the validity of any instrument executed by any authorized officer or officers of the Corporation that the execution of such instrument be evidenced by the corporate seal, and all documents, instruments, contracts and writings of all kinds signed on behalf of the Corporation by any authorized officer or officers shall be as effectual and binding on the Corporation without the corporate seal, as if the execution of the same had been evidenced by affixing the corporate seal thereto. The Board may give general authority to any officer to affix the seal of the Corporation and to attest the affixing by signature.

ARTICLE III  
STOCKHOLDERS' MEETINGS

Section 4. Place of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof.

Section 5. Annual Meetings.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders; (ii) by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a

stockholder of record at the time of giving of notice provided for in the following paragraph, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of Section 5(a) of these Amended and Restated Bylaws (these "Bylaws"), (i) the stockholder must have given timely notice thereof in writing to the Secretary of the corporation, (ii) such other business must be a proper matter for stockholder action under the Delaware General Corporation Law ("DGCL"), (iii) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the corporation with a Solicitation Notice (as defined in this Section 5(b)), such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of at least the percentage of the corporation's voting shares required under applicable law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the corporation's voting shares reasonably believed by such stockholder or beneficial owner to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (iv) if no Solicitation Notice relating thereto has been timely provided pursuant to this section, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section 5. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth: (A) as to each person whom the stockholder proposed to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (B) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (C) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, (ii) the class and number of shares of the corporation which are



owned beneficially and of record by such stockholder and such beneficial owner, and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of the proposal, at least the percentage of the corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(b) Notwithstanding anything in the second sentence of Section 5(b) of these Bylaws to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the corporation at least one hundred (100) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 5 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation.

(c) Only such persons who are nominated in accordance with the procedures set forth in this Section 5 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 5. Except as otherwise provided by law, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

(d) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation proxy statement pursuant to Rule 14a-8 under the 1934 Act.

(e) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

#### Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized

directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) the holders of shares entitled to cast not less than 10% of the votes at the meeting.

(b) If a special meeting is properly called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within one hundred (100) days after the receipt of the request, the person or persons properly requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in these Bylaws who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 6(c). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation's notice of meeting, if the stockholder's notice required by Section 5(b) of these Bylaws shall be delivered to the Secretary at the principal executive offices of the corporation not earlier than the close of business on the one hundred twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

Section 7. Notice of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully

called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

Section 9. Adjournment and Notice of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 13. Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to

the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV  
DIRECTORS

Section 15. Number and Term of Office. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Classes of Directors.

(a) Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock of the corporation (the "Initial Public Offering"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

(b) In the event that the corporation is unable to have a classified Board of Directors under applicable law, Section 17(a) of these Bylaws shall not apply and all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting.

(c) No stockholder entitled to vote at an election for directors may cumulate votes to which such stockholder is entitled.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 18. Vacancies.

(a) Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Section 18 in the case of the death, removal or resignation of any director.

(b) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

Section 19. Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal. Unless otherwise restricted by the Certificate of Incorporation or by law, the Board of Directors or any individual director may be removed from office at any time with or without cause by the affirmative vote of the holders of at least a majority of the outstanding shares entitled to vote on such removal.

Section 21. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors. No formal notice shall be required for regular meetings of the Board of Directors.

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two directors.

(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) Notice of Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and shall be deemed waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum and Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 44 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance

with the Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 24. Fees and Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.



(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to any requirements of any outstanding series of preferred Stock and the provisions of subsections (a) or (b) of this Bylaw, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

#### ARTICLE V OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, a Chairman of the Board of Directors, a Chief

Executive Officer and/or a President, one or more Vice Presidents, a Secretary, and a Chief Financial Officer, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Financial Officers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 28. Tenure and Duties of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chairman of the Board of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other

duties and have such other powers, as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct any Assistant Financial Officer to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Assistant Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

Section 32. Loans to Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

ARTICLE VI  
EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES  
OWNED BY THE CORPORATION

Section 33. Execution of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation. All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do. Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 34. Voting of Securities Owned by the Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII  
SHARES OF STOCK

Section 35. Form and Execution of Certificates: Uncertificated Shares. The shares of the corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some of all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Notwithstanding the adoption of any resolution providing for uncertificated shares, every holder of stock in the corporation that is represented by a certificate and, upon request, every holder of uncertificated shares shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President and by the Secretary or an Assistant Secretary, certifying the number of shares owned by the stockholder in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back

a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 36. Lost Certificates. A new certificate or certificates or uncertificated shares shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate, certificates or uncertificated shares, the owner of such lost, stolen, or destroyed certificate or certificates, or his legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed..

Section 37. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares (or, with respect to uncertificated shares, by delivery of duly executed instructions or in any other manner permitted by applicable law), with such evidence of the authenticity of such endorsement or execution, transfer, authorization, and other matters as the corporation may reasonably require, and accompanied by all necessary stock transfer stamps. .

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 38. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the

record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 39. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

#### ARTICLE VIII OTHER SECURITIES OF THE CORPORATION

Section 40. Execution of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (pursuant to Section 35), may be signed by the Chairman of the Board of Directors, the Chief Executive Officer, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or an Assistant Financial Officer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the

person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX  
DIVIDENDS

Section 41. Declaration of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 42. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X  
FISCAL YEAR

Section 43. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI  
INDEMNIFICATION

Section 44. Indemnification of Directors, Officers, Employees and Other Agents.

(a) Directors and Officers. The corporation shall indemnify its directors and officers to the fullest extent not prohibited by the DGCL or any other applicable law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors and officers; and, provided, further, that the corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Employees and Other Agents. The corporation shall have power to indemnify its employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Section 44 or otherwise. Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Section 44, no advance shall be made by the corporation to an officer of the corporation (except by reason of the fact that such officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or officer. Any right to indemnification or advances granted by this Section 44 to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not



met the applicable standard of conduct. In any suit brought by a director or officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or officer is not entitled to be indemnified, or to such advancement of expenses, under this Section 44 or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Section 44.

(h) Amendments. Any repeal or modification of this Section 44 shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and officer to the full extent not prohibited by any applicable portion of this Section 44 that shall not have been invalidated, or by any other applicable law. If this Section 44 shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and officer to the full extent under any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term “proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(2) The term “expenses” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the “corporation” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section 44 with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a “director,” “executive officer,” “officer,” “employee,” or “agent” of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the corporation” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the corporation” as referred to in this Section 44.

## ARTICLE XII NOTICES

### Section 45. Notices.

(a) Notice to Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) Notice to Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or by overnight delivery service, facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

(c) Affidavit of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or

notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Time Notices Deemed Given. All notices given by mail or by overnight delivery service, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given as of the sending time recorded at time of transmission.

(e) Methods of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) Failure to Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such.

(g) Notice to Person With Whom Communication is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) Notice to Person With Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

ARTICLE XIII  
AMENDMENTS

Section 46. Amendments. Subject to paragraph (h) of Section 44 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Donald B. Murray, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Resources Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2008

/s/ Donald B. Murray

Donald B. Murray

President and Chief Executive Officer

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Nathan W. Franke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Resources Connection, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 3, 2008

/s/ Nathan W. Franke

Nathan W. Franke

Chief Financial Officer

and Executive Vice President

WRITTEN STATEMENT  
PURSUANT TO  
18 U.S.C. SECTION 1350

The undersigned, Donald B. Murray, the Chief Executive Officer of Resources Connection, Inc., and Nathan W. Franke, Chief Financial Officer of Resources Connection, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, hereby certify that, to the best of their knowledge:

- (i) the Report on Form 10-Q of the Company for the quarter ended February 29, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 3, 2008

/s/ Donald B. Murray  
Donald B. Murray  
President and Chief Executive Officer  
(Principal Executive Officer)

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

The foregoing certification accompanies the Report on Form 10-Q pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.