

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended August 26, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 0-32113

RESOURCES CONNECTION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(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) (Zip Code)

Registrant's telephone number, including area code: (714) 430-6400

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

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

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

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

As of September 25, 2017, there were approximately 30,128,020 shares of the registrant's common stock, \$0.01 par value per share, outstanding.

**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>August 26, 2017</u>	<u>May 27, 2017</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,607	\$ 62,329
Trade accounts receivable, net of allowance for doubtful accounts of \$2,762 and \$2,517 as of August 26, 2017 and May 27, 2017, respectively	98,984	98,222
Prepaid expenses and other current assets	5,520	4,395
Income taxes receivable	—	1,899
Total current assets	<u>154,111</u>	<u>166,845</u>
Goodwill	172,342	171,088
Property and equipment, net	22,856	23,354
Deferred income taxes	920	973
Other assets	1,846	1,868
Total assets	<u>\$ 352,075</u>	<u>\$ 364,128</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,501	\$ 14,102
Accrued salaries and related obligations	31,029	49,241
Other liabilities	9,043	8,428
Total current liabilities	<u>54,573</u>	<u>71,771</u>
Long-term debt	48,000	48,000
Deferred income taxes	991	1,280
Other long-term liabilities	4,719	4,935
Total liabilities	<u>108,283</u>	<u>125,986</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; 59,230 and 58,992 shares issued, and 29,900 and 29,662 shares outstanding as of August 26, 2017 and May 27, 2017, respectively	592	590
Additional paid-in capital	403,227	398,828
Accumulated other comprehensive loss	(8,681)	(11,396)
Retained earnings	330,558	332,024
Treasury stock at cost, 29,330 shares as of both August 26, 2017 and May 27, 2017	<u>(481,904)</u>	<u>(481,904)</u>
Total stockholders' equity	<u>243,792</u>	<u>238,142</u>
Total liabilities and stockholders' equity	<u>\$ 352,075</u>	<u>\$ 364,128</u>

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

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
Revenue	\$141,186	\$143,389
Direct cost of services, primarily payroll and related taxes for professional services employees	87,488	88,862
Gross margin	53,698	54,527
Selling, general and administrative expenses	47,415	43,614
Depreciation expense	940	794
Income from operations	5,343	10,119
Interest expense	337	—
Interest income	(28)	(70)
Income before provision for income taxes	5,034	10,189
Provision for income taxes	2,922	4,551
Net income	<u>\$ 2,112</u>	<u>\$ 5,638</u>
Net income per common share:		
Basic	<u>\$ 0.07</u>	<u>\$ 0.16</u>
Diluted	<u>\$ 0.07</u>	<u>\$ 0.15</u>
Weighted average common shares outstanding:		
Basic	<u>29,809</u>	<u>36,269</u>
Diluted	<u>30,059</u>	<u>36,817</u>
Cash dividends declared per common share	<u>\$ 0.12</u>	<u>\$ 0.11</u>

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

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
COMPREHENSIVE INCOME:		
Net income	\$ 2,112	\$ 5,638
Foreign currency translation adjustment, net of tax	2,715	643
Total comprehensive income	<u>\$ 4,827</u>	<u>\$ 6,281</u>

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

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

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>		<u>Accumulated Other Comprehensive Loss</u>	<u>Retained Earnings</u>	<u>Total Stockholders Equity</u>
	<u>Shares</u>	<u>Amount</u>		<u>Shares</u>	<u>Amount</u>			
Balances as of May 27, 2017	58,992	\$ 590	\$398,828	29,330	\$(481,904)	\$ (11,396)	\$332,024	\$ 238,142
Exercise of stock options	44	—	530					530
Stock-based compensation expense			1,612					1,612
Issuance of common stock under Employee Stock Purchase Plan	194	2	2,257					2,259
Cash dividends declared (\$0.12 per share)							(3,578)	(3,578)
Currency translation adjustment						2,715		2,715
Net income for the three months ended August 26, 2017							2,112	2,112
Balances as of August 26, 2017	<u>59,230</u>	<u>\$ 592</u>	<u>\$403,227</u>	<u>29,330</u>	<u>\$(481,904)</u>	<u>\$ (8,681)</u>	<u>\$330,558</u>	<u>\$ 243,792</u>

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

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
Cash flows from operating activities:		
Net income	\$ 2,112	\$ 5,638
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	940	794
Stock-based compensation expense	1,612	1,295
(Gain) loss on disposal of assets	(3)	1
Bad debt expense	303	—
Deferred income taxes	(205)	(37)
Changes in operating assets and liabilities:		
Trade accounts receivable	(30)	1,511
Prepaid expenses and other current assets	(1,101)	53
Income taxes	1,582	1,219
Other assets	45	120
Accounts payable and accrued expenses	36	(124)
Accrued salaries and related obligations	(18,761)	(18,244)
Other liabilities	341	719
Net cash used in operating activities	<u>(13,129)</u>	<u>(7,055)</u>
Cash flows from investing activities:		
Redemption of short-term investments	—	14,973
Proceeds from sale of property and equipment	1	—
Purchase of property and equipment	(383)	(1,075)
Net cash (used in) provided by investing activities	<u>(382)</u>	<u>13,898</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	530	1,498
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,259	2,184
Purchase of common stock	—	(5,654)
Cash dividends paid	(3,254)	(3,623)
Net cash used in financing activities	<u>(465)</u>	<u>(5,595)</u>
Effect of exchange rate changes on cash	1,254	600
Net (decrease) increase in cash	<u>(12,722)</u>	<u>1,848</u>
Cash and cash equivalents at beginning of period	62,329	91,089
Cash and cash equivalents at end of period	<u>\$ 49,607</u>	<u>\$ 92,937</u>

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

RESOURCES CONNECTION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Three months ended August 26, 2017 and August 27, 2016

1. Description of the Company and its Business

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

The Company’s fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The first quarters of fiscal 2018 and 2017 each consisted of 13 weeks.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three months ended August 26, 2017 and August 27, 2016 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair presentation of its financial position at such dates and the operating results and cash flows for those periods. The fiscal 2017 year-end balance sheet data was derived from audited financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the U.S. (“GAAP”) have been condensed or omitted pursuant to Securities and Exchange Commission (“SEC”) rules or regulations; however, the Company believes the disclosures made are adequate to make the information presented not misleading.

The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for the fiscal year. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 27, 2017, which are included in the Company’s Annual Report on Form 10-K for the year then ended (File No. 0-32113).

Cash, Cash Equivalents and Short-Term Investments

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

Client Reimbursements of “Out-of-Pocket” Expenses

The Company recognizes all reimbursements received from clients for “out-of-pocket” expenses as revenue and all such expenses as direct cost of services. Reimbursements received from clients were \$2.6 million and \$2.4 million for the three months ended August 26, 2017 and August 27, 2016, respectively.

Foreign Currency Translation

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

Net Income Per Share Information

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

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
Net income	<u>\$ 2,112</u>	<u>\$ 5,638</u>
Basic:		
Weighted average shares	<u>29,809</u>	<u>36,269</u>
Diluted:		
Weighted average shares	29,809	36,269
Potentially dilutive shares	250	548
Total dilutive shares	<u>30,059</u>	<u>36,817</u>
Net income per common share:		
Basic	\$ 0.07	\$ 0.16
Dilutive	\$ 0.07	\$ 0.15
Anti-dilutive shares not included above	5,182	4,581

Stock-Based Compensation

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

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

See Note 8 — *Stock-Based Compensation Plans* for further information on the 2014 Plan and stock-based compensation.

Use of Estimates

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

3. Goodwill

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

	For the Three Months Ended	
	August 26, 2017	August 27, 2016
Goodwill, beginning of year	<u>\$171,088</u>	<u>\$171,183</u>
Impact of foreign currency exchange rate changes	1,254	76
Goodwill, end of period	<u>\$172,342</u>	<u>\$171,259</u>

4. Income Taxes

The Company's provision for income taxes was \$2.9 million (effective tax rate of approximately 58%) and \$4.6 million (effective tax rate of approximately 45%) for the three months ended August 26, 2017 and August 27, 2016, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

The provision for income taxes in the three months ended August 26, 2017 and August 27, 2016 results from taxes on income in the U.S. and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. The effective tax rate increased for the three months ended August 26, 2017 due to the lower profitability in the Company's domestic and foreign operations, increasing the percentage impact of permanent differences between book and tax income.

The Company recognized a benefit of approximately \$387,000 and \$457,000 related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the first quarter of fiscal 2018 and 2017, respectively.

5. Long-Term Debt

In October 2016, the Company entered into a \$120 million secured revolving credit facility ("Facility") with Bank of America, consisting of (i) a \$90 million revolving loan facility, which includes a \$5 million sublimit for the issuance of standby letters of credit ("Revolving Loan"), and (ii) a \$30 million reducing revolving loan facility, any amounts of which may not be reborrowed after being repaid ("Reducing Revolving Loan"). The Facility is available for working capital and general corporate purposes, including potential acquisitions and stock repurchases. The Company's obligations under the Facility are guaranteed by all of the Company's domestic subsidiaries and secured by essentially all assets of the Company, Resources Connection LLC and their domestic subsidiaries, subject to certain customary exclusions. Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) a London Interbank Offered Rate ("LIBOR") defined in the Facility plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus a margin of 0.25% or 0.50%, with the applicable margin depending on the Company's consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. The Company pays an unused commitment fee on the average daily unused portion of the Facility at a rate of 0.15% to 0.25% depending upon on the Company's consolidated leverage ratio. The Facility expires October 17, 2021.

The Facility contains both affirmative and negative covenants. Covenants include, but are not limited to, limitations on the Company's and its subsidiaries' ability to incur liens, incur additional indebtedness, make certain restricted payments, merge or consolidate and make disposition of assets. In addition, the Facility requires us to comply with financial covenants limiting the Company's total funded debt, minimum interest coverage ratio and maximum leverage ratio. The Company was in compliance with all financial covenants under the Facility as of August 26, 2017.

Upon the occurrence of an event of default under the Facility, the lender may cease making loans, terminate the Facility and declare all amounts outstanding to be immediately due and payable. The Facility specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, cross-defaults to other material indebtedness, bankruptcy and insolvency defaults and material judgment defaults.

The Company's borrowings on the Facility are \$48.0 million as of August 26, 2017; the Company used the funds in fiscal 2017 to fund a portion of the purchase price of its modified Dutch auction tender offer held in November 2016. In addition, the Company also has \$1.0 million of outstanding letters of credit issued under the Facility. The Company has \$41.0 million remaining to borrow under the Revolving Loan and \$30.0 million remaining under the Reducing Revolving Loan as of August 26, 2017. As of August 26, 2017, the interest rate on the Company's borrowings was 2.6% on one tranche of \$24.0 million based on a 3-month LIBOR plus 1.25% and 2.5% on a second tranche of \$24.0 million based on a 3-month LIBOR plus 1.25%.

6. Stockholders' Equity

Stock Repurchase Program

In July 2015, the Company's board of directors approved a stock repurchase program (the "July 2015 program"), authorizing the repurchase, at the discretion of the Company's senior executives, of the Company's common stock for an aggregate dollar limit not to exceed \$150 million. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan. The Company did not purchase any common stock on the open market during the three months ended August 26, 2017. As of August 26, 2017, approximately \$125.1 million remained available for future repurchases of the Company's common stock under the July 2015 program.

7. Supplemental Disclosure of Cash Flow Information

The following table presents information regarding income taxes paid, interest paid and non-cash investing and financing activities (amounts in thousands):

	Three Months Ended	
	August 26, 2017	August 27, 2016
Income taxes paid	\$ 1,575	\$ 3,441
Interest paid	\$ 332	\$ —
Non-cash investing and financing activities:		
Capitalized leasehold improvements paid directly by landlord	\$ —	\$ 1
Dividends declared, not paid	\$ 3,578	\$ 3,977

8. Stock-Based Compensation Plans

Stock Options and Restricted Stock

The maximum number of shares of the Company's common stock that may be issued or transferred pursuant to awards under the 2014 Plan equals the sum of: (1) 2,400,000 shares, plus (2) the number of shares subject to stock options granted under the Resources Connection, Inc. 2004 Performance Incentive Plan and the 1999 Long Term Incentive Plan (the "Prior Stock Plans") and outstanding as of September 3, 2014 (the date at which the Prior Stock Plans terminated), which expire, or for any reason are cancelled or terminated, after that date without being exercised, plus (3) the number of shares subject to restricted stock, restricted stock unit and other full-value awards granted under the Prior Stock Plans that were outstanding and unvested as of September 3, 2014, which are forfeited, terminated, cancelled, or otherwise reacquired after that date without having become vested. As of August 26, 2017, 2,881,000 shares were available for award grant purposes under the 2014 Plan, subject to future increases as described in (2) and (3) above and subject to increase as then-outstanding awards expire or terminate without having become vested or exercised, as applicable.

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

The following table summarizes the stock option activity for the three months ended August 26, 2017 (number of shares under option and aggregate intrinsic value in thousands):

	Number of Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at May 27, 2017	7,164	\$ 15.08	5.56	\$ 1,696
Exercised	(44)	\$ 12.16		
Forfeited	(58)	\$ 14.58		
Expired	(55)	\$ 21.15		
Outstanding at August 26, 2017	7,007	\$ 15.06	5.30	\$ 1,047
Exercisable at August 26, 2017	5,000	\$ 15.21	4.07	\$ 1,020
Vested and expected to vest at August 26, 2017	6,860	\$ 15.07	5.23	\$ 1,047

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 first quarter of fiscal 2018 and the exercise price multiplied by the number of shares that would have been received by the option holders if they had exercised their "in the money" options on August 26, 2017. This amount will change based on changes in the fair market value of the Company's common stock. The total pre-tax intrinsic value related to stock options exercised during the three months ended August 26, 2017 and August 27, 2016 was \$73,000 and \$369,000, respectively.

Stock-Based Compensation Expense

As of August 26, 2017, there was \$5.9 million of total unrecognized compensation cost related to unvested employee stock options granted. That cost is expected to be recognized over a weighted-average period of 28 months. Stock-based compensation expense included in selling, general and administrative expenses was \$1.6 million and \$1.3 million for the three months ended August 26, 2017 and August 27, 2016, respectively; this consisted of stock-based compensation expense related to employee stock options, employee stock purchases made via the ESPP and restricted stock awards. Included in stock-based compensation expense for the three months ended August 26, 2017 was non-cash stock-based compensation expense of approximately \$140,000 related to the accelerated vesting of options previously granted to a senior executive in connection with his departure from the Company. There were no capitalized share-based compensation costs during the three months ended August 26, 2017 or August 27, 2016.

The Company granted no shares of restricted stock during either the three months ended August 26, 2017 or August 27, 2016. Stock-based compensation expense for existing restricted stock awards for the three months ended August 26, 2017 and August 27, 2016 was \$341,000 and \$155,000, respectively. As of August 26, 2017, there were 188,770 unvested restricted shares, with approximately \$2.3 million of remaining unrecognized compensation cost.

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

Employee Stock Purchase Plan

The ESPP allows qualified employees (as defined in the ESPP) to purchase designated shares of the Company's common stock at a price equal to 85% of the lesser of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The ESPP's term expires October 16, 2024. A total of 5,900,000 shares of common stock may be issued under the ESPP. The Company issued 194,000 and 359,000 shares of common stock pursuant to the ESPP during the three months ended August 26, 2017 and the year ended May 27, 2017, respectively. There were 724,000 shares of common stock available for issuance under the ESPP as of August 26, 2017.

9. Segment Information and Enterprise Reporting

The Company discloses information regarding operations outside of the U.S. The Company operates as one segment. The accounting policies for the domestic and international operations are the same as those described in Note 2 — *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended May 27, 2017. Summarized information regarding the Company's domestic and international operations is shown in the following table (amounts in thousands):

	Revenue for the Three Months Ended		Long-Lived Assets (1) as of	
	August 26, 2017	August 27, 2016	August 26, 2017	May 27, 2017
United States	\$ 113,125	\$ 115,640	\$ 173,161	\$ 173,781
The Netherlands	3,768	3,930	19,215	18,036
Other	24,293	23,819	2,822	2,625
Total	<u>\$141,186</u>	<u>\$143,389</u>	<u>\$ 195,198</u>	<u>\$ 194,442</u>

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

10. Legal Proceedings

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

11. Subsequent Event

On August 31, 2017, the Company completed the acquisition of *taskforce* — *Management on Demand AG* (“*taskforce*”), a German-based professional services firm founded in 2007 that provides clients with senior interim management and project management expertise. The Company paid initial consideration of €6.0 million (approximately \$7.1 million) for all of the outstanding shares of *taskforce* in a combination of cash and restricted stock, and agreed to make additional earn-out payments based upon performance for calendar years 2017, 2018 and 2019. For the twelve months ended December 31, 2016, *taskforce* revenues were approximately €12 million (\$13.3 million). Results of operations of *taskforce* will be included in the Company’s consolidated statement of operations beginning in the quarter ending November 25, 2017.

12. Recent Accounting Pronouncements

Accounting Pronouncements Adopted During Current Fiscal Year

Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. In March 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-09. The new standard modifies several aspects of the accounting and reporting for employee share-based payments and related tax accounting impacts, including the presentation in the statements of operations and cash flows of certain tax benefits or deficiencies and employee tax withholdings, as well as the accounting for award forfeitures over the vesting period (record forfeitures as they occur or estimate over the vesting period). The new standard is effective for financial statements for annual and interim periods within those annual periods beginning after December 15, 2016 and was adopted by the Company on a prospective basis effective May 28, 2017. The Company has elected to account for forfeitures based on previous guidance and will make an estimate of the number of awards that are expected to vest with a subsequent true up to actual forfeitures. As a result of the adoption, excess income tax benefits and deficiencies from stock-based compensation are now recognized as a discrete item with the provision for income taxes in the Consolidated Statement of Operations rather than additional paid-in capital in the Consolidated Balance Sheets and amounted to \$29,000 for the three months ended August 26, 2017. In future quarters, when tranches of unexercised options expire, there could be a potentially significant impact on the Company’s income tax expense and income tax percentage.

Accounting Pronouncements Pending Adoption

Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting. In May 2017, the FASB issued ASU 2017-09, which clarifies when changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the new guidance, modification accounting is only required if the fair value, vesting conditions or classification (equity or liability) of the new award are different from the original award immediately before the original award is modified. The new standard is effective for financial statements for annual periods beginning after December 15, 2017 (for the Company, fiscal 2019). Early adoption is permitted. The guidance must be applied prospectively to awards modified on or after the adoption date. The future impact of ASU 2017-09 will be dependent on the nature of future stock award modifications.

Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. In January 2017, the FASB issued ASU 2017-04, which provides guidance regarding the goodwill impairment testing process. The new standard eliminates Step 2 of the goodwill impairment test. If a company determines in Step 1 of the goodwill impairment test that the carrying value of goodwill is greater than the fair value, an impairment for that difference must be recorded in the income statement, rather than proceeding to Step 2. The new standard is effective for financial statements for annual periods beginning after December 15, 2019 (for the Company, fiscal 2021). Early adoption is permitted for interim or annual goodwill impairments tests performed on testing dates after January 1, 2017. Based on the Company’s most recent annual goodwill impairment test completed in fiscal 2017, the Company expects no initial impact on adoption.

Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. In August 2016, the FASB issued ASU 2016-15, which provides guidance designed to address diversity in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. Examples include cash payments for debt prepayment or debt extinguishment; contingent consideration payments made after a business combination; and proceeds from the settlement of corporate-owned life insurance policies. The new standard is effective for financial statements for annual and interim periods within those annual periods beginning after December 15, 2017 (for the Company, fiscal 2019). Early adoption is permitted. The Company believes the adoption of this guidance will not have a material impact on its consolidated financial statements.

Leases (Topic 842): Leases. In February 2016, the FASB issued ASU 2016-02, which amends the existing guidance to require lessees to recognize operating lease obligations on their balance sheets by recording the rights and obligations created by those leases. The requirements are effective for financial statements for annual periods and interim periods within those annual periods beginning after December 15, 2018 (for the Company, fiscal 2020), and early adoption is permitted. The Company is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements and believes that it will have a significant impact on the Company’s reported balance sheet assets and liabilities. Under current accounting guidelines, the Company’s office leases are operating lease arrangements, in which rental payments are treated as operating expenses and there is no recognition of the arrangement on the balance sheet as an asset with the related obligation to the lessor as a liability.

Revenue from Contracts with Customers (Topic 606): In May 2014, the FASB issued ASU 2014-09, a comprehensive new revenue recognition standard that will supersede current revenue recognition guidance and is intended to improve and converge revenue recognition and related financial reporting requirements. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a number of steps to apply to achieve that core principle and requires additional disclosures. In August 2015, the FASB issued ASU 2015-14, which delays the required implementation date for the Company until fiscal 2019, with early adoption permitted for fiscal 2018. The Company has elected to adopt the guidance beginning in fiscal 2019. The standard allows for either “full retrospective” adoption, meaning the standard is applied to all periods presented, or “cumulative effect” adoption, meaning the standard is applied only to the most current period presented in the financial statements. In addition, in March 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients (Topic 606), which provides clarifying guidance in certain areas and adds some practical expedients. The effective date for this ASU is the same as the effective date for ASU 2014-09. We intend to implement the standard using the modified retrospective approach, which recognizes the cumulative effect (if any) of application recognized on that date. The Company is currently evaluating the impact of adoption of this guidance, including required disclosures, and based upon our current analysis, does not expect a significant impact on processes, systems or controls. The Company will continue to evaluate the impact of adoption of this guidance and its preliminary assessments are subject to change.

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

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes. This discussion and analysis contains “forward-looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to expectations concerning matters that are not historical facts. Such forward-looking statements may be identified by words such as “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “remain,” “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 that could cause our actual results, levels of activity, performance or achievements and those of our industry to differ materially from those expressed or implied by these forward-looking statements. You are urged to carefully review the disclosures we make concerning risks, uncertainties and other factors that may affect our business or operating results, including those identified in Part II, Item 1A. Risk Factors below and in our Annual Report on Form 10-K for the year ended May 27, 2017 (File No. 0-32113). Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business or operating results. Readers are cautioned not to place undue reliance on the forward-looking statements included herein, which speak only as the date of this filing. We do not intend, and undertake no obligation, to update the forward-looking statements in this filing to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events, unless required by law to do so. References in this filing to “Resources Connection,” “RGP,” “Resources Global Professionals,” “Resources Global,” the “Company,” “we,” “us,” and “our” refer to Resources Connection, Inc. and its subsidiaries.

Overview

RGP is a multinational consulting firm that provides agile consulting services to its global client base who are faced with disruption and business transformation issues. We bring functional competencies in the areas of accounting; finance; governance, risk and compliance management; corporate advisory, strategic communications and restructuring; information management; human capital; supply chain management; and legal and regulatory. We assist our clients with projects requiring specialized expertise in:

- Finance and accounting process transformation and optimization; financial reporting and analysis; technical and operational accounting; merger and acquisition due diligence and integration; audit response; implementation of new accounting standards such as the revenue recognition pronouncement and lease accounting standard; and remediation support
- Information management services including program and project management; business and technology integration; data strategy, including governance, security and privacy; and business performance management (such as core planning and consolidation systems)
- Corporate advisory, strategic communications and restructuring services
- Governance, risk and compliance management services including contract and regulatory compliance efforts under, for example, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes Oxley Act of 2002 (“Sarbanes”); Enterprise Risk Management; internal controls management; and operation and IT audits

- Supply chain management services including strategy development; procurement and supplier management; logistics and materials management; supply chain planning and forecasting; and Unique Device Identification compliance
- Human capital services including change management; organization development and effectiveness; compensation and incentive plan strategies and design; and optimization of human resources technology and operations
- Legal and regulatory services supporting commercial transactions; global compliance initiatives; and law department operations, business strategy and analytics

We were founded in June 1996 by a team at Deloitte, led by our chairman, Donald B. Murray, who was then a senior partner with Deloitte. Our founders created Resources Connection to capitalize on the increasing demand for high quality outsourced professional services. We operated as a part of Deloitte until April 1999. In April 1999, we completed a management-led buyout in partnership with several investors. In December 2000, we completed our initial public offering of common stock and began trading on the NASDAQ Stock Market. We currently trade on the NASDAQ Global Select Market under the ticker symbol “RECN”. We operate under the acronym RGP, branding for our operating entity name of Resources Global Professionals.

We operated solely in the United States (“U.S.”) until fiscal year 2000, when we opened our first three international offices and began to expand geographically to meet the demand for project consulting services across the world. As of August 26, 2017, we served clients from offices in 21 countries, including 24 international offices and 43 offices in the United States. Our global footprint allows the Company to support the global initiatives of our multinational client base.

On April 5, 2017, the Company announced implementation of three strategic initiatives to help improve its performance in cost containment and revenue generation. The initiatives include (1) reducing existing selling, general and administrative expenses by approximately \$7.0 million per year; (2) improving the sales culture and business development process and practices (requiring additional investment to accomplish our goals); and (3) redesigning the business model to enhance client offerings.

The first initiative, which included a clear and actionable plan for reducing costs in low growth markets, will streamline the Company’s field and back office operations to better match current and anticipated demand in certain geographies. The implementation of this plan resulted in a reduction of existing overhead expenses and head count, and was completed at the end of fiscal 2017.

The second initiative focuses on driving sales on an enterprise level to advance the account development, account penetration and management activities in local markets, and will support a more sophisticated and robust sales culture. The initiative includes four major components: the implementation of Salesforce as a global Customer Relationship Management tool and the alignment of the Company’s sales process, the establishment of an enterprise-wide Business Development function, the creation of a Strategic Client Program dedicated to expanding service to and revenue from the Company’s highest level clients and the evolution of the Company’s incentive compensation plans to prioritize growth. These transition activities will involve multi-step changes that are expected to be completed in the fourth quarter of fiscal 2018 or the first quarter of fiscal 2019. Costs related to these activities will be incurred through the end of the initiative.

Finally, the Company’s decision to redesign its operating model is expected to enhance its client offerings, providing insightful business solutions as well as industry-leading project execution. For example, the Company will build deeper capabilities in project support for M&A transactions and data governance, security & analytics solutions. The shift will also enable stronger inter-office collaboration and allow the Company to deliver improved solutions, expertise and talent to all of its clients around the globe, regardless of their location.

Subsequent to the end of the first quarter of fiscal 2018, the Company announced the acquisition of *taskforce — Management on Demand AG* (“*taskforce*”), a German based professional services firm founded in 2007 that provides clients with senior interim management and project management expertise. The Company paid initial consideration of €6.0 million (approximately \$7.1 million) for all of the outstanding shares of *taskforce* in a combination of cash and restricted stock, and agreed to make additional earn-out payments based upon performance for calendar years 2017, 2018 and 2019. For the twelve months ended December 31, 2016, *taskforce* revenues were approximately €12 million (\$13.3 million). Results of operations of *taskforce* will be included in the Company’s consolidated statement of operations beginning in the quarter ending November 25, 2017.

Critical Accounting Policies

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

The following represents a summary of our critical accounting policies, defined as those policies that we believe: (a) are the most important to the portrayal of our financial condition and results of operations and (b) involve inherently uncertain issues that require management's most difficult, subjective or complex judgments. There have been no material changes in our critical accounting policies, or in the estimates and assumptions underlying those policies, from those described in our Annual Report on Form 10-K for the year ended May 27, 2017.

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

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

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

Revenue recognition — We primarily charge our clients on an hourly basis for the professional services of our consultants. We recognize revenue once services have been rendered and invoice the majority of our clients in the United States on a weekly basis. Some of our clients served by our international offices are billed on a monthly basis. Our clients are contractually obligated to pay us for all hours billed. To a much lesser extent, we also earn revenue if a client hires one of our consultants. This type of contractually non-refundable revenue is recognized at the time our client completes the hiring process.

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

The Company estimates a value for employee stock options on the date of grant using an option-pricing model. We have elected to use the Black-Scholes option-pricing model which takes into account assumptions regarding a number of highly complex and subjective variables. These variables include the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. Additional variables to be considered are the expected term, expected dividends and the risk-free interest rate over the expected term of our employee stock options. In addition, because stock-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. Forfeitures must be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience. If facts and circumstances change and we employ different assumptions in future periods, the compensation expense recorded may differ materially from the amount recorded in the current period. We have adopted the Financial Accounting Standards Board's ("FASB") pronouncement *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* in the current quarter and have elected to continue accounting for forfeitures as described historically; the pronouncement offered the opportunity to switch to accounting for forfeitures as they occurred.

The Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The impact of expected dividends (\$0.12 per share in the first quarter of fiscal 2018 and \$0.11 per share in each quarter of fiscal 2017) is also incorporated in determining the estimated value per share of employee stock option grants. Such dividends are subject to quarterly board of director approval. The Company's expected life of stock option grants is 5.6 years for non-officers and 8.1 years for officers. The Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock. The Company reviews the underlying assumptions related to stock-based compensation at least annually.

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

Results of Operations

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
	(Amounts in thousands)	
Revenue	\$ 141,186	\$ 143,389
Direct cost of services	87,488	88,862
Gross margin	53,698	54,527
Selling, general and administrative expenses	47,415	43,614
Depreciation expense	940	794
Income from operations	5,343	10,119
Interest expense	337	—
Interest income	(28)	(70)
Income before provision for income taxes	5,034	10,189
Provision for income taxes	2,922	4,551
Net income	<u>\$ 2,112</u>	<u>\$ 5,638</u>

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

	Three Months Ended	
	August 26, 2017	August 27, 2016
	(Amounts in thousands)	
Net income	\$ 2,112	\$ 5,638
Adjustments:		
Depreciation expense	940	794
Interest expense	337	—
Interest income	(28)	(70)
Provision for income taxes	2,922	4,551
EBITDA	6,283	10,913
Stock-based compensation expense	1,612	1,295
Adjusted EBITDA	<u>\$ 7,895</u>	<u>\$ 12,208</u>
Revenue	<u>\$ 141,186</u>	<u>\$ 143,389</u>
Adjusted EBITDA Margin	<u>5.6%</u>	<u>8.5%</u>

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

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

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

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- Stock-based compensation is an element of our long-term incentive compensation program, although we exclude it as an expense from Adjusted EBITDA when evaluating our ongoing operating performance for a particular period; and
- Other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDA Margin differently than we do, limiting their usefulness as comparative measures.

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

Three Months Ended August 26, 2017 Compared to Three Months Ended August 27, 2016

Percentage change computations are based upon amounts in thousands.

Revenue. Revenue decreased \$2.2 million, or 1.5%, to \$141.2 million for the three months ended August 26, 2017 from \$143.4 million for the three months ended August 27, 2016. We deliver our services to clients, whether multi-national or locally based, in a similar fashion across the globe. Bill rates improved 1.7% (no difference in constant currency) but hours worked decreased 3.6% between the two periods. The revenue decrease is primarily attributable to ineffective client development efforts in financial services in the first quarter of fiscal 2018 compared to the prior year first quarter. The timing of efforts to improve our client penetration in the financial services industry is uncertain. As presented in the table below, revenue increased in the first quarter of fiscal 2018 compared to the same quarter of fiscal 2017 in Europe but declined in North America and Asia Pacific.

The number of consultants on assignment as of August 26, 2017 was 2,495 compared to 2,570 consultants engaged as of August 27, 2016.

We operated 67 (24 abroad) offices as of August 26, 2017 and 68 (23 abroad) as of August 27, 2016. Our clients do not sign long-term contracts with us. As such, there can be no assurance as to future demand levels for the services that we provide or that future results can be reliably predicted by considering past trends.

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

	Revenue for the Three Months Ended		% Change	% of Total	
	August 26, 2017	August 27, 2016		August 26, 2017	August 27, 2016
North America	\$115,937	\$117,976	(1.7)%	82.1%	82.3%
Europe	15,149	14,108	7.4%	10.7	9.8
Asia Pacific	10,100	11,305	(10.7)%	7.2	7.9
Total	<u>\$141,186</u>	<u>\$143,389</u>	(1.5)%	<u>100.0%</u>	<u>100.0%</u>

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar (“U.S. dollar”). Revenues denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates in effect during each period. Thus, as the value of the U.S. dollar strengthens relative to the currencies of our non-United States based operations, our translated revenue (and expenses) will be lower; conversely, if the value of the U.S. dollar weakens relative to the currencies of our non-United States based operations, our translated revenue (and expenses) will be higher. Using the comparable fiscal 2017 first quarter conversion rates, international revenues would have been higher than reported under GAAP by approximately \$0.2 million in the first quarter of fiscal 2018. Using these constant currency rates, which we believe provides a more comprehensive view of trends in our business, our revenue increased in Europe by 7.1%, while decreasing in North America and Asia Pacific by 1.8% and 8.3%, respectively.

Direct Cost of Services. Direct cost of services decreased \$1.4 million, or 1.5%, to \$87.5 million for the three months ended August 26, 2017 from \$88.9 million for the three months ended August 27, 2016. The decrease in the amount of direct cost of services between the periods was primarily attributable to a decrease of 3.6% in the number of hours worked discussed under the caption “Revenue”; the average pay rate was constant between the two quarters and the impact of currency fluctuations was insignificant.

Direct cost of services as a percentage of revenue was 62.0% for both the three months ended August 26, 2017 and August 27, 2016. Although the direct cost of services as a percentage of revenue was the same in both quarters, there were components that shifted; principally, the improvement in the bill rate/pay rate ratio between the two quarters was offset by higher medical coverage expenses in the fiscal 2018 quarter.

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

Selling, General and Administrative Expenses. Selling, general and administrative expense (“S, G & A”) as a percentage of revenue was 33.6% and 30.4% for the quarters ended August 26, 2017 and August 27, 2016, respectively. The higher current quarter percentage is partially the result of reduced leverage from the lower revenue in the first quarter of fiscal 2018 combined with an increase in overall S, G & A spend in the current quarter. S, G & A increased to \$47.4 million for the first quarter of fiscal 2018 from \$43.6 million for the same period in the prior year. The primary cause of the \$3.8 million increase in S, G & A during the first quarter of fiscal 2018 was approximately \$2.1 million related to severance expenses (\$1.4 million) and acquisition related costs (\$0.7 million). The remaining increase of \$1.7 million is related primarily to investments in the first quarter of 2018 as part of the Company’s ongoing transformation in accordance with its strategic initiatives to drive revenue growth and improve cost containment.

Management and administrative headcount decreased to 726 at the end of the first quarter of fiscal 2018 from 770 at the end of the first quarter of fiscal 2017.

Sequential Operations. On a sequential quarter basis, fiscal 2018 first quarter revenues decreased approximately 5.0% (5.6% constant currency), from \$148.6 million to \$141.2 million. Comparing the two quarters, hours worked decreased 5.8% while average bill rates improved 0.8%. The decrease in revenue is partially attributable to the Memorial Day and July Fourth holidays which occurred in the first quarter of fiscal 2018 as well as the overall summer holiday season. There were no compensated holidays in the fourth quarter of fiscal 2017. The Company’s sequential revenue decreased in North America (5.1%), Europe (5.5%) and Asia Pacific (3.7%). On a constant currency basis, using the comparable fourth quarter fiscal 2017 conversion rates, sequential revenue decreased in North America (5.2%), Europe (10.0%) and Asia Pacific (4.6%).

Direct cost of services as a percentage of revenue was 62.0% and 60.9% in the first quarter of fiscal 2018 and fourth quarter of fiscal 2017, respectively; the higher direct cost of services percentage in the first quarter is primarily the result of two compensated holidays in the U.S., while the fourth quarter had no compensated holidays.

The ratio of S, G & A to revenue increased from 32.6% for the quarter ended May 27, 2017 to 33.6% for the quarter ended August 26, 2017. The ratio changed unfavorably because decreased revenue in the first quarter lowered leverage. Total spend in the first quarter of fiscal 2018 declined to \$47.4 million from \$48.4 million in the previous quarter. The \$1.0 million decrease sequentially is a combination of factors. The first quarter of fiscal 2018 includes severance costs of \$1.4 million; acquisition related costs of \$0.7 million; increased payroll taxes from the payment of fiscal 2017 related bonuses of \$0.7 million; and increased healthcare costs of \$0.3 million. These additional costs of \$3.1 million were offset by approximately \$1.7 million in compensation and related benefit cost reductions realized from the actions taken in April 2017 to reduce headcount (the net of these items is an addition of \$1.4 million in costs in the first quarter). The fourth quarter of fiscal 2017 included \$2.4 million of restructuring costs related to the reduction in force in April 2017.

Depreciation Expense. Depreciation expense was \$0.9 million for the three months ended August 26, 2017 compared to \$0.8 million for the three months ended August 27, 2016.

Interest Expense (Income). The Company entered into a \$120 million secured revolving credit facility (“Facility”) with Bank of America in October 2016. The Facility consists of (i) a \$90 million revolving loan facility, which includes a \$5 million sublimit for the issuance of standby letters of credit (“Revolving Loan”), and (ii) a \$30 million reducing revolving loan facility, any amounts of which may not be reborrowed after being repaid (“Reducing Revolving Loan”). The Facility is available for working capital and general

corporate purposes, including potential acquisitions and stock repurchases. Our obligations under the Facility are guaranteed by all of the Company's domestic subsidiaries and secured by essentially all assets of the Company, Resources Connection LLC and their domestic subsidiaries, subject to certain customary exclusions. Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) a LIBOR rate defined in the Facility plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus a margin of 0.25% or 0.50%, with the applicable margin depending on the Company's consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. The Company pays an unused commitment fee on the average daily unused portion of the Facility at a rate of 0.15% to 0.25% depending upon on the Company's consolidated leverage ratio. The Facility expires October 17, 2021.

Total interest expense for the first quarter of fiscal 2018, including commitment fees, was approximately \$337,000. The Company incurred no interest expense during the first quarter of fiscal 2017. As of August 26, 2017, the interest rate on the Company's borrowings was 2.6% on one tranche of \$24.0 million based on a 3-month LIBOR plus 1.25% and 2.5% on a second tranche of \$24.0 million based on a 3-month LIBOR plus 1.25%.

The Company's interest income was \$28,000 in the first quarter of fiscal 2018 compared to \$70,000 for the same period of fiscal 2017. Although rates have generally improved in the first quarter of fiscal 2018 compared to the same period in the prior year, interest income declined between the two periods as a result of the use of cash in the Dutch auction tender offer in November 2016, reducing amounts available for investment.

Income Taxes. The Company's provision for income taxes was \$2.9 million (effective tax rate of approximately 58%) and \$4.6 million (effective tax rate of approximately 45%) for the three months ended August 26, 2017 and August 27, 2016, respectively. The Company records tax expense based upon an actual effective tax rate versus a forecasted tax rate because of the volatility in its international operations which span numerous tax jurisdictions.

The provision for income taxes in both the first quarter of fiscal 2018 and 2017 resulted from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the United States statutory rates. The effective tax rate increased for the three months ended August 26, 2017 due to the lower profitability in the Company's domestic and foreign operations, increasing the percentage impact of permanent differences between book and tax income. 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 remain constant in the future because of the lower benefit from the United States statutory rate for losses in certain foreign jurisdictions and the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established.

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 may fluctuate from these factors for the foreseeable future. The Company recognized a benefit of approximately \$387,000 and \$457,000 related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the first quarter of fiscal 2018 and 2017, respectively. The proportion of expense related to non-qualified stock option grants (for which the Company may recognize a tax benefit in the same quarter as the related compensation expense in most instances) is significant as compared to expense related to disqualifying dispositions under the ESPP. However, the timing and amount of eligible disqualifying transactions under the ESPP cannot be predicted. The Company predominantly grants nonqualified stock options to employees in the United States.

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

Liquidity and Capital Resources

Our primary source of liquidity is cash provided by our operations and, historically, to a lesser extent, stock option exercises and ESPP purchases. On an annual basis, we have generated positive cash flows from operations since inception. Our ability to continue to increase cash flow from operations in the future will be, at least in part, dependent on continued improvement in global economic conditions. As of August 26, 2017, the Company had \$49.6 million of cash and cash equivalents.

In October 2016, we entered into a \$120 million Facility with Bank of America. The Facility is available for working capital and general corporate purposes, including potential acquisitions and stock repurchases. The Facility allows the Company to choose the interest rate applicable to advances. See Note 5 — *Long-Term Debt* in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on the Facility. As of August 26, 2017, the Company had borrowings of approximately \$48.0 million under the Facility and approximately \$1.0 million of outstanding letters of credit for the benefit of third parties related to operating leases and guarantees. As of August 26, 2017, the Company was in compliance with the financial covenants in the Facility.

Operating Activities

Operating activities used \$13.1 million in cash for the three months ended August 26, 2017 compared to \$7.1 million for the three months ended August 27, 2016. Cash used in operations in the first three months of fiscal 2018 resulted from net income of \$2.1 million and non-cash items of \$2.6 million, offset by net unfavorable changes in operating assets and liabilities of \$17.9 million. In the first three months of fiscal 2017, cash used in operations resulted from net income of \$5.6 million and non-cash items of \$2.1 million, offset by net unfavorable changes in operating assets and liabilities of \$14.7 million. The primary driver of the change in cash used in operations between the two quarters was the decrease in net income in fiscal 2018. Operating activities are typically a use of cash in the first quarter each year because of the settlement of the Company's bonus obligations from the previous fiscal year in the first quarter. Non-cash items in both fiscal 2018 and fiscal 2017 include depreciation and stock-based compensation expense. These charges do not reflect an actual cash outflow from the Company.

Investing Activities

Net cash used in investing activities was \$0.4 million for the first three months of fiscal 2018, compared to a source of cash of \$13.9 million in the comparable prior year period. The Company did not have money invested short-term during the first quarter of fiscal 2018, while redemptions of short-term investments were \$15.0 million in the prior year period. Purchases of property and equipment decreased approximately \$0.7 million between the two periods as the Company had limited office relocation/refurbishment activities in the current year quarter.

Financing Activities

Net cash used in financing activities totaled \$0.5 million and \$5.6 million for the three months ended August 26, 2017 and August 27, 2016, respectively. Net cash used in financing activities for the three months ended August 26, 2017 included dividends paid on the Company's common stock of \$3.3 million, approximately \$300,000 lower than in the comparable period of the prior year. The Company's dividend rate was \$0.12 per common share in the first quarter of fiscal 2018, compared to \$0.11 per common share in the same quarter of fiscal 2017. However, the dividend paid in fiscal 2018 was lower because of the reduced number of outstanding shares of common stock after the Company's modified Dutch auction tender offer in November 2016. The Company's board of directors declared a quarterly cash dividend of \$0.12 per common share on July 27, 2017. The dividend of approximately \$3.6 million, paid on September 21, 2017, is accrued in the Company's Consolidated Balance Sheet as of August 26, 2017. Proceeds from the exercise of employee stock options and issuance of shares via the ESPP were approximately \$0.9 million lower in the first three months of fiscal 2018 as compared to the comparable period of fiscal 2017. The Company did not purchase any of its common stock on the open market during the current quarter, while it purchased approximately 375,000 shares for approximately \$5.7 million in the prior year quarter.

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

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 12 — *Recent Accounting Pronouncements* in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk. We are primarily exposed to market risks from fluctuations in interest rates and the effects of those fluctuations on the market values of our cash and cash equivalents and our borrowings under our Facility that bear interest at a variable market rate.

As of August 26, 2017, we had approximately \$49.6 million of cash and cash equivalents and \$48.0 million of borrowings under our Facility. The earnings on investments are subject to changes in interest rates; however, assuming a constant balance available for investment, a 10% decline in interest rates would reduce our interest income but would not have a material impact on our consolidated financial position or results of operations.

Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) a LIBOR rate defined in the Facility plus a margin of 1.25% or 1.50% or (ii) an alternate base rate, plus margin of 0.25% or 0.50% with the applicable margin depending on the Company's consolidated leverage ratio. The alternate base rate is the highest of (i) Bank of America's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the Eurodollar rate plus 1.0%. We are exposed to rate risk related to fluctuations in the LIBOR rate primarily; at the current level of borrow as of August 26, 2017 of \$48.0 million, a 10% change in interest rates would have resulted in approximately a \$0.1 million change in annual interest expense.

Foreign Currency Exchange Rate Risk. For the three months ended August 26, 2017, approximately 20% 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 average exchange rates prevailing during the period. Thus, as the value of the U.S. dollar fluctuates relative to the currencies in our non-United States based operations, our reported results may vary.

Assets and liabilities of our non-United States based operations are translated into U.S. dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 41% of our balances of cash and cash equivalents as of August 26, 2017 were denominated in U.S. dollars. The remaining 59% was comprised primarily of cash balances translated from Japanese Yen, Euros, Canadian Dollars, and Hong Kong Dollars. The difference resulting from the translation each period of assets and liabilities of our non-United States based operations is recorded as a component of stockholders' equity in accumulated other comprehensive income or loss.

Although we intend to monitor our exposure to foreign currency fluctuations, we do not currently use financial hedging techniques to mitigate risks associated with foreign currency fluctuations including in a limited number of circumstances when we may be asked to transact with our client in one currency but are obligated to pay our consultant in another currency. We cannot provide assurance that exchange rate fluctuations will not adversely affect our financial results in the future.

ITEM 4. CONTROLS AND PROCEDURES.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of August 26, 2017. 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 August 26, 2017. 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 August 26, 2017 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS.

There have been no material changes in our risk factors from those disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 27, 2017, which was filed with the Securities and Exchange Commission on July 24, 2017. For convenience, our updated risk factors are included below in this Item 1A. The order in which the risks appear is not intended as an indication of their relative weight or importance.

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

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

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

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

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

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

- consulting firms;
- local, regional, national and international accounting and other traditional professional services firms;
- independent contractors;
- traditional and Internet-based staffing firms; and
- the in-house or former in-house resources of our clients.

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

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

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

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

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

Because we are in the business of placing our personnel in the workplaces of other companies, we are subject to possible claims by our personnel 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 personnel. 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 personnel and clients.

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

Historically, we have grown by opening new offices and by increasing the volume of services provided through existing offices. Currently we are embarking on several new strategic initiatives, including the implementation of a new operating model. Our ability to execute on those strategies may impact our ability to grow our current business. Since the first quarter of fiscal 2010, we have had difficulty sustaining consistent revenue growth either quarter-over-quarter or in sequential quarters. During fiscal 2017, we closed two offices, one in the U.S. and one in Europe. There can be no assurance that we will be able to maintain or expand our market presence in our current locations or to successfully enter other markets or locations. Our ability to continue to grow our business will depend upon an improving global economy and a number of factors, including our ability to:

- grow our client base;
- expand profitably into new geographies;
- provide additional professional services offerings;
- hire qualified and experienced consultants;
- maintain margins in the face of pricing pressures;
- manage costs; and
- maintain or grow revenues and increase other service offerings from existing clients.

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

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

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

- difficulties in staffing and managing foreign offices as a result of, among other things, distance, language and cultural differences;
- less flexible or future changes in labor laws and regulations in the U.S. and in foreign countries;
- expenses associated with customizing our professional services for clients in foreign countries;
- foreign currency exchange rate fluctuations when we sell our professional services in denominations other than United States' dollars;
- protectionist laws and business practices that favor local companies;
- political and economic instability in some international markets;
- multiple, conflicting and changing government laws and regulations;
- trade barriers;
- reduced protection for intellectual property rights in some countries; and
- potentially adverse tax consequences.

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

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

- diversion of management's attention from other business concerns;
- failure to integrate the acquired company with our existing business;
- failure to motivate, or loss of, key employees from either our existing business or the acquired business;
- potential impairment of relationships with our employees and clients;
- additional operating expenses not offset by additional revenue;
- incurrence of significant non-recurring charges;
- incurrence of additional debt with restrictive covenants or other limitations;
- addition of significant amounts of intangible assets, including goodwill, that are subject to periodic assessment of impairment, primarily through comparison of market value of our stock to our net book value, with such impairment potentially resulting in a material impact on our future financial results and financial condition;
- dilution of our stock as a result of issuing equity securities; and
- assumption of liabilities of the acquired company.

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

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

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

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

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

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

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

The management of our business is aided by the uninterrupted operation of our computer and telecommunication systems. These systems are vulnerable to security breaches, natural disasters or other catastrophic events, computer viruses, or other interruptions or damage stemming from power outages, equipment failure or unintended usage by employees. In particular, our employees may have access or exposure to personally identifiable or otherwise confidential information and customer data and systems, the misuse of which could result in legal liability. In addition, we rely on information technology systems to process, transmit and store electronic information and to communicate among our locations around the world and with our clients, partners and consultants. The breadth and complexity of this infrastructure increases the potential risk of security breaches. Security breaches, including cyber-attacks or cyber-intrusions by computer hackers, foreign governments, cyber terrorists or others with grievances against the industry in which we operate or us in particular, may disable or damage the proper functioning of our networks and systems. It is possible that our security controls over personal and other data may not prevent unauthorized access to, or destruction, loss, theft, misappropriation or release of personally identifiable or other proprietary, confidential, sensitive or valuable information of ours or others; this access could lead to potential unauthorized disclosure of confidential personal, Company or client information that others could use to compete against us or for other disruptive, destructive or harmful purposes and outcomes. Any such disclosure or damage to our networks and systems could subject us to third party claims against us and reputational harm. If these events occur, our ability to attract new clients may be impaired or we may be subjected to damages or penalties. In addition, system-wide or local failures of these information technology systems could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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

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

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

Our future success depends upon the continued employment of our senior management team. The unforeseen departure of one or more key members of our senior management team could significantly disrupt our operations if we are unable to successfully manage the transition. The replacement of members of senior management can involve significant time and expense and create uncertainties that could delay, prevent the achievement of, or make it more difficult for us to pursue and execute on our business opportunities, which could have an adverse effect on our business, financial condition and operating results.

Further, we generally do not have non-compete agreements with our employees and, therefore, they could terminate their employment with us at any time. Our ability to retain the services of members of our senior management and other key employees could be impacted by a number of factors, including competitors' hiring practices or the effectiveness of our compensation programs. If members of our senior management or other key employees leave our employ for any reason, they could pursue other employment opportunities with our competitors or otherwise compete with us. If we are unable to retain the services of these key personnel or attract and retain other qualified and experienced personnel on acceptable terms, our business, financial condition and operating results could be adversely affected.

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

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

- our ability to attract new clients and retain current clients;
- the mix of client projects;
- the announcement or introduction of new services by us or any of our competitors;
- the expansion of the professional services offered by us or any of our competitors into new locations both nationally and internationally;
- changes in the demand for our services by our clients;

- the entry of new competitors into any of our markets;
- the number of consultants eligible for our offered benefits as the average length of employment with the Company increases;
- the amount of vacation hours used by consultants or number of holidays in a quarter, particularly the day of the week on which they occur;
- availability of consultants with the requisite skills in demand by clients;
- changes in the pricing of our professional services or those of our competitors;
- variation in foreign exchange rates from one quarter to the next used to translate the financial results of our international operations;
- the amount and timing of operating costs and capital expenditures relating to management and expansion of our business;
- the timing of acquisitions and related costs, such as compensation charges that fluctuate based on the market price of our common stock; and
- the periodic fourth quarter consisting of 14 weeks, which occurred during the fiscal year ended May 31, 2014 and next occurs during the fiscal year ending May 30, 2020.

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

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

Section 404 of Sarbanes requires us to evaluate periodically the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal controls as of the end of each fiscal year. Our management report on internal controls is contained in our Annual Report on Form 10-K for the year ended May 27, 2017. Section 404 also requires our independent registered public accountant to report on our internal control over financial reporting.

Our management does not expect 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 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 our internal control over financial reporting was effective as of May 27, 2017, we cannot assure you that we or our independent registered public accountant will not identify a material weakness in our internal controls in the future. A material weakness in our internal control over financial reporting may require management and our independent registered public accountant to evaluate our internal controls as ineffective. If our internal control over financial reporting is not considered adequate, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price. Additionally, if our internal control over financial reporting otherwise fails to comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

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

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

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

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

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

- authorize our board of directors to establish one or more series of undesignated preferred stock, the terms of which can be determined by the board of directors at the time of issuance;
- divide our board of directors into three classes of directors, with each class serving a staggered three-year term. Because the classification of the board of directors generally increases the difficulty of replacing a majority of the directors, it may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us and may make it difficult to change the composition of the board of directors;
- prohibit cumulative voting in the election of directors which, if not prohibited, could allow a minority stockholder holding a sufficient percentage of a class of shares to ensure the election of one or more directors;
- require that any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing;
- state that special meetings of our stockholders may be called only by the chairman of the board of directors, by our chief executive officer, by the board of directors after a resolution is adopted by a majority of the total number of authorized directors, or by the holders of not less than 10% of our outstanding voting stock;
- establish advance notice requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting;
- provide that certain provisions of our certificate of incorporation and bylaws can be amended only by supermajority vote (a 66 2/3% majority) of the outstanding shares. In addition, our board of directors can amend our bylaws by majority vote of the members of our board of directors;
- allow our directors, not our stockholders, to fill vacancies on our board of directors; and
- provide that the authorized number of directors may be changed only by resolution of the board of directors.

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

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

The terms of our credit facility impose operating and financial restrictions on us, which may limit our ability to respond to changing business and economic conditions.

We currently have a \$120.0 million secured revolving credit facility which is available through October 21, 2021. We are subject to various operating covenants under the credit facility which restrict our ability to, among other things, incur liens, incur additional indebtedness, make certain restricted payments, merge or consolidate and make dispositions of assets. The credit facility also requires us to comply with financial covenants limiting our total funded debt, minimum interest coverage ratio and maximum leverage ratio. Any failure to comply with these covenants may constitute a breach under the credit facility, which could result in the acceleration of all or a substantial portion of any outstanding indebtedness and termination of revolving credit commitments under the credit facility. Our inability to maintain our credit facility could materially and adversely affect our liquidity and our business.

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

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

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

We believe establishing, maintaining and enhancing the RGP and Resources Global Professionals brand name is important to our business. We have applied for registration in the United States and some foreign jurisdictions on certain service marks. On March 29, 2013, we filed a United States trademark application for our RGP service mark and puzzle piece logo, Serial No. 85/890,836 as well as United States trademark applications on our RGP service mark, puzzle piece and tag line, Serial No. 85/890,838; our RGP Healthcare service mark and puzzle piece logo, Serial No. 85/890,839; our RGP Legal service mark and puzzle piece logo, Serial No. 85/890,843; and our RGP Search service mark and puzzle piece logo, Serial No. 85/890,845. We received approval of these applications and registration was granted as of December 2, 2014.

We obtained a United States registration for our Resources Global Professionals service mark, Registration No. 3,298,841, which registered September 25, 2007. However, our rights to this service mark are not currently protected in some of our foreign jurisdictions, and there is no guarantee that any of our pending applications (or any appeals thereof or future applications) will be successful.

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.

In 2014, we developed a software product for the healthcare industry to address enterprise-wide incident management and patient safety issues. We have applied for registration in the United States on the service mark for this product. Registration was granted September 9, 2014. On February 13, 2014, we filed a Nonprovisional Application, App. No. H180290, with the United States Patent Office for patent protection for this invention, and we were notified on June 15, 2017 that our application has been approved to issue as a patent. There is no guarantee that third parties may not knowingly or unknowingly infringe our proprietary rights or challenge the proprietary rights held by us. In any or each of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the three months ended August 26, 2017, we did not make any stock repurchases, as indicated in the table below.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Announced Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under Announced Program
May 28, 2017 — June 24, 2017	—	\$ —	—	\$ 125,103,123
June 25, 2017 — July 22, 2017	—	\$ —	—	\$ 125,103,123
July 23, 2017 — August 26, 2017	—	\$ —	—	\$ 125,103,123
Total May 28, 2017 — August 26, 2017	—	\$ —	—	\$ 125,103,123

- (1) In July 2015, our board of directors approved a stock repurchase program authorizing the purchase, at the discretion of the Company’s senior executives, of our common stock for an aggregate dollar limit not to exceed \$150 million. Subject to the aggregate dollar limit, the currently authorized stock repurchase program does not have an expiration date. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made pursuant to a Rule 10b5-1 plan.

On August 31, 2017, in connection with the acquisition of *taskforce* and pursuant to the terms of the Sale and Purchase Agreement dated August 28, 2017, the Company issued 226,628 shares of its common stock to two of the stockholders of *taskforce* as partial consideration for the acquisition (“*taskforce* Stock Issuance”). The issuance of common stock in the *taskforce* Stock Issuance was not registered under the Securities Act of 1933, as amended (the “Securities Act”). Such shares were issued in a private placement exempt from the registration requirements of the Securities Act, in reliance on the exemptions set forth in Section 4(a)(2) of the Securities Act and Rule 506 under Regulation D.

See Note 11 — *Subsequent Event* in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on the *taskforce* acquisition.

ITEM 6. EXHIBITS.

The exhibits listed in the Exhibit Index are filed with, or incorporated by reference in, this Report.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Document</u>
10.1*	<u>Amendment No. 3 to Credit Agreement, dated August 25, 2017, between Bank of America N.A. and Resources Connection, Inc. and Resources Connection LLC.</u>
31.1*	<u>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.</u>
31.2*	<u>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.</u>
32**	<u>Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation.
101.DEF*	XBRL Taxonomy Extension Definition.
101.LAB*	XBRL Taxonomy Extension Labels.
101.PRE*	XBRL Taxonomy Extension Presentation.

* Filed herewith.

** Furnished herewith.

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: October 5, 2017

/s/ Kate W. Duchene

Kate W. Duchene
President and Chief Executive Officer
(Principal Executive Officer)

Date: October 5, 2017

/s/ Herbert M. Mueller

Herbert M. Mueller
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

THIRD AMENDMENT TO CREDIT AGREEMENT AND CONSENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT AND CONSENT dated as of August 25, 2017 (this "Agreement") is entered into among RESOURCES CONNECTION, INC., a Delaware corporation ("RCI"), RESOURCES CONNECTION LLC, a Delaware limited liability company ("RCL") and together with RCI, the "Borrowers" and each a "Borrower"), the Guarantors party hereto, and BANK OF AMERICA, N.A., as Lender (the "Lender"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as defined below).

RECITALS

WHEREAS, the Borrowers, the Guarantors and the Lender have entered into that certain Credit Agreement dated as of October 17, 2016 (as amended by that certain First Amendment to Credit Agreement and Amendment to Security and Pledge Agreement dated as of November 27, 2016, as further amended by that certain Second Amendment to Credit Agreement dated as of February 21, 2017, and as further amended from time to time, the "Credit Agreement");

WHEREAS, the Borrowers have informed the Lender that Resources Global Professionals (Germany) GmbH ("RCI Germany") intends to acquire all of the Equity Interests of Taskforce — Management On Demand AG, Munich pursuant to that certain Sale and Purchase Agreement by and among, RCI Germany, Taskforce GmbH, MoveVision — Management-, Beteiligungs- und Servicegesellschaft mbH, the other sellers party thereto, and RCI (the "Acquisition"); and

WHEREAS, the Borrowers and the Guarantors have requested that the Lender (a) permit the Acquisition notwithstanding the fact that the Acquisition does not comply with the definition of "Permitted Acquisition" in Section 1.01 of the Credit Agreement, and (b) amend the Credit Agreement as set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent. Subject to the other terms and conditions of this Agreement, the Lender hereby agrees that RCI Germany shall be permitted to consummate the Acquisition notwithstanding the definition of "Permitted Acquisition" in Section 1.01 of the Credit Agreement; provided, that, the Acquisition complies with all requirements set forth in the definition of "Permitted Acquisition" other than the requirement that the Acquisition be consummated by a Loan Party. The consent set forth in this Section 1 shall not modify or affect the Loan Parties' obligations to comply fully with the terms of Section 7.03 of the Credit Agreement or any other duty, term, condition or covenant contained in the Credit Agreement or any other Loan Document in the future. The consent set forth in this Section 1 is a one-time consent, is limited solely to the matters set forth in this Section 1, and nothing contained in this Agreement shall be deemed to constitute a waiver of any other rights or remedies the Lender may have under the Credit Agreement or any other Loan Documents or under applicable law.

2. Amendments.

(a) The definition of “Consolidated EBITDA” in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

“Consolidated EBITDA” means, for any period, for RCI and its Subsidiaries on a Consolidated basis, an amount equal to Consolidated Net Income for such period (a) plus the following, without duplication, to the extent deducted in calculating such Consolidated Net Income:

(i) Consolidated Interest Charges for such period; (ii) the provision for federal, state, local and foreign income taxes payable for such period; (iii) depreciation and amortization expense for such period; (iv) any non-cash expense, loss or charge (including (x) any non-cash stock based compensation expense, and (y) any non-cash expenses related to goodwill and trademark impairment, in each case, for such period) which does not represent a cash item in such period or any future period; (v) any losses during such period resulting from the disposition of any assets of RCI or any Subsidiary outside the ordinary course of business (in an amount reasonably acceptable to the Lender); (vi) fees and expenses incurred in such period in connection with the consummation of the Transactions; (vii) fees and expenses for such period incurred in connection with any Permitted Acquisition, whether or not such Permitted Acquisition is consummated, so long as such fees and expenses are incurred not more than twelve (12) months after such Permitted Acquisition; (viii) the amount of net cost savings and operating expense reductions, in each case, with respect to account compensation expenses, occupancy costs, rental expenses and other quantifiable and verifiable cost and expense items, in each case, for such period and projected by RCI in good faith to be realized as a result of Permitted Acquisitions after the Closing Date, net of the amount of actual benefits realized during such period; provided, that, (A) in the Compliance Certificate required to be delivered pursuant to Section 6.02, RCI shall certify that such cost savings and operating expense reductions (x) are reasonably anticipated to be realized within twelve (12) months after the consummation of the Permitted Acquisition which is expected to result in such cost savings or operating expense reductions, and (y) are factually supportable as determined in good faith by RCI, (B) no cost savings or operating expense reductions shall be added pursuant to this clause (a)(viii) to the extent duplicative of any amounts otherwise added to, or included in, Consolidated Net Income, whether through a pro forma adjustment or otherwise, for such period, and (C) projected amounts (that are not yet realized) may no longer be added in calculating Consolidated EBITDA pursuant to this clause (a)(viii) to the extent occurring more than four (4) full fiscal quarters after the applicable Permitted Acquisition; (ix) non-cash accruals or reserves for such period with respect to Earn Out Obligations (it being understood that any cash payment in respect thereof, or any reversal thereof, in any future period shall be subtracted from Consolidated EBITDA in accordance with clause (b)(iii) below); and (x) non-recurring severance charges in respect of employee terminations for such period, but only to the extent incurred on or prior to August 26, 2017; (b) minus the following, without duplication, to the extent included in calculating such Consolidated Net Income: (i) all non-cash income or gains for such period; (ii) any gains during such period resulting from the disposition of any assets of RCI or any Subsidiary outside the ordinary course of business; and (iii) any cash payment in such period in respect of, or any reversal of, any accrual or reserve added back to Consolidated EBITDA in a prior period pursuant to clause (a)(ix) above. Notwithstanding the foregoing, it is understood and agreed that (x) the aggregate amount added back pursuant to clauses (a)(vii) and (a)(viii) for any period shall not exceed five percent (5%) of Consolidated EBITDA for such period prior to giving effect to all such add-backs for such period, and (y) the aggregate amount added back pursuant to clause (a)(x) for any period shall not exceed fifteen percent (15%) of Consolidated EBITDA for such period prior to giving effect to such add-back for such period.

(b) Section 6.14(a)(ii) of the Credit Agreement is hereby amended to read as follows:

(ii) one hundred percent (100%) of the issued and outstanding Equity Interests of RGP Singapore (to the extent directly owned by a Loan Party), and

3. Condition Precedent. This Agreement shall be effective upon receipt by the Lender of counterparts of this Agreement duly executed by the Borrowers, the Guarantors, and the Lender.

4. Miscellaneous.

(a) The Credit Agreement, and the obligations of the Loan Parties thereunder and under the other Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Agreement shall constitute a Loan Document.

(b) Each Guarantor (i) acknowledges and consents to all of the terms and conditions of this Agreement, (ii) affirms all of its obligations under the Loan Documents, and (iii) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or the other Loan Documents.

(c) Each Loan Party hereby represent and warrant as follows: (i) such Loan Party has taken all necessary corporate or other organizational action to authorize the execution, delivery and performance of this Agreement; (ii) this Agreement has been duly executed and delivered by such Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity; and (iii) no approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, such Loan Party of this Agreement.

(d) The Loan Parties represent and warrant to the Lender that (i) after giving effect to this Agreement, the representations and warranties of each Loan Party contained in the Credit Agreement or any other Loan Document, or which are contained in any document furnished at any time under or in connection therewith, are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of such earlier date, and (ii) after giving effect to this Agreement, no event has occurred and is continuing which constitutes a Default or an Event of Default.

(e) This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means (e.g. "pdf" or "tif") shall be effective as delivery of a manually executed counterpart of this Agreement.

(f) THIS AGREEMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO HERETO, AND THE TRANSACTIONS CONTEMPLATED HEREBY, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWERS:

RESOURCES CONNECTION, INC.,
a Delaware corporation

By: /s/ Kate W. Duchene

Name: Kate W. Duchene

Title: Chief Executive Officer

RESOURCES CONNECTION LLC,
a Delaware limited liability company

By: Resources Connection, Inc., its sole member

By: /s/ Kate W. Duchene

Name: Kate W. Duchene

Title: Chief Executive Officer

GUARANTORS:

RESOURCES HEALTHCARE SOLUTIONS LLC,
a Delaware limited liability company

By: /s/ Kate W. Duchene

Name: Kate W. Duchene

Title: Chief Executive Officer

RGP PROPERTY LLC,
a Delaware limited liability company

By: Resources Connection, Inc., its sole member

By: /s/ Kate W. Duchene

Name: Kate W. Duchene

Title: Chief Executive Officer

SITRICK BRINCKO GROUP, LLC,
a Delaware limited liability company

By: Resources Connection, Inc., its manager

By: /s/ Kate W. Duchene

Name: Kate W. Duchene

Title: Chief Executive Officer

LENDER:

BANK OF AMERICA, N.A.,
as Lender

By: /s/ Angel Sutoyo

Name: Angel Sutoyo

Title: Senior Vice President

**Certification of Chief Executive Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934**

I, Kate W. Duchene, 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: October 5, 2017

/s/ Kate W. Duchene

Kate W. Duchene
President and Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Herbert M. Mueller, 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: October 5, 2017

/s/ Herbert M. Mueller

Herbert M. Mueller
Executive Vice President and
Chief Financial Officer

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

The undersigned, Kate W. Duchene, the Chief Executive Officer of Resources Connection, Inc., and Herbert M. Mueller, 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 August 26, 2017 (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: October 5, 2017

/s/ KATE W. DUCHENE

Kate W. Duchene
President and Chief Executive Officer

/s/ HERBERT M. MUELLER

Herbert M. Mueller
Executive Vice President and Chief 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.