UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 22, 2020

OR

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

For the transition period from ______ to______

Commission File Number: 0-32113

RESOURCES CONNECTION, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**33-0832424**
(State or Other Jurisdiction of Incorporation or Organization)	**(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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Common stock, par value $0.01 per share	RGP	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth 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 March 27, 2020, there were approximately 32,144,373 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)

	February 22, 2020	May 25, 2019 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 35,944	$ 43,045
Short-term investments	-	5,981
Trade accounts receivable, net of allowance for doubtful accounts of $2,560 and $2,520 as of February 22, 2020 and May 25, 2019, respectively	130,908	133,304
Prepaid expenses and other current assets	8,014	7,103
Income taxes receivable	7,123	2,224
Total current assets	181,989	191,657
Goodwill	213,451	190,815
Intangible assets, net	21,623	14,589
Property and equipment, net	24,873	26,632
Operating right-of-use assets	38,176	-
Deferred income taxes	1,686	1,497
Other assets	4,176	3,180
Total assets	$ 485,974	$ 428,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 18,606	$ 21,634
Accrued salaries and related obligations	47,024	58,628
Operating lease liabilities, current	11,459	-
Other liabilities	13,677	11,154
Total current liabilities	90,766	91,416
Long-term debt	49,000	43,000
Operating lease liabilities, noncurrent	33,317	-
Deferred income taxes	5,997	5,146
Other long-term liabilities	4,092	6,412
Total liabilities	183,172	145,974
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; 63,910 and 63,054 shares issued, and 32,144 and 31,588 shares outstanding as of February 22, 2020 and May 25, 2019, respectively	639	631
Additional paid-in capital	476,032	460,226
Accumulated other comprehensive loss	(13,748)	(12,588)
Retained earnings	360,967	350,230
Treasury stock at cost, 31,766 and 31,466 shares as of February 22, 2020 and May 25, 2019, respectively	(521,088)	(516,103)
Total stockholders' equity	302,802	282,396
Total liabilities and stockholders' equity	$ 485,974	$ 428,370

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		Nine Months Ended	
	February 22, 2020	February 23, 2019	February 22, 2020	February 23, 2019
Revenue	$ 168,052	$ 179,498	$ 524,784	$ 546,855
Direct cost of services, primarily payroll and related taxes for professional services employees	106,632	111,587	321,484	337,372
Gross margin	61,420	67,911	203,300	209,483
Selling, general and administrative expenses	55,299	55,587	166,032	166,912
Amortization of intangible assets	1,549	948	4,153	2,855
Depreciation expense	1,120	1,163	3,913	3,429
Income from operations	3,452	10,213	29,202	36,287
Interest expense	493	595	1,526	1,729
Other (income)/expense	-	-	(537)	-
Income before income tax (benefit) expense	2,959	9,618	28,213	34,558
Income tax (benefit) expense	(3,983)	3,822	3,995	12,457
Net income	$ 6,942	$ 5,796	$ 24,218	$ 22,101
Net income per common share:				
Basic	$ 0.22	$ 0.18	$ 0.76	$ 0.70
Diluted	$ 0.21	$ 0.18	$ 0.75	$ 0.68
Weighted average common shares outstanding:				
Basic	32,159	31,890	31,954	31,784
Diluted	32,498	32,370	32,350	32,428
Cash dividends declared per common share	$ 0.14	$ 0.13	$ 0.42	$ 0.39

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		Nine Months Ended	
	February 22, 2020	February 23, 2019	February 22, 2020	February 23, 2019
COMPREHENSIVE INCOME:				
Net income	$ 6,942	$ 5,796	$ 24,218	$ 22,101
Foreign currency translation adjustment, net of tax	(522)	577	(1,160)	(1,451)
Total comprehensive income	$ 6,420	$ 6,373	$ 23,058	$ 20,650

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

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands)

	Common Stock		Additional Paid-in	Treasury Stock		Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Loss	Earnings	Equity
Balances as of May 25, 2019	63,054	$ 631	$ 460,226	31,466	$ (516,103)	$ (12,588)	$ 350,230	$ 282,396
Exercise of stock options	172	1	2,250					2,251
Stock-based compensation expense			1,408					1,408
Issuance of common stock under Employee Stock Purchase Plan	215	2	2,597					2,599
Cancellation of restricted stock	(5)	-	-					-
Cash dividends declared ($0.14 per share)							(4,476)	(4,476)
Currency translation adjustment						(686)		(686)
Net income for the three months ended August 24, 2019							4,939	4,939
Balances as of August 24, 2019	63,436	$ 634	$ 466,481	31,466	$ (516,103)	$ (13,274)	$ 350,693	$ 288,431
Exercise of stock options	85	1	1,215					1,216
Stock-based compensation expense			1,591					1,591
Cash dividends declared ($0.14 per share)							(4,499)	(4,499)
Issuance of common stock in connection with acquisition of Accretive	83	1	1,140					1,141
Currency translation adjustment						48		48
Net income for the three months ended November 23, 2019							12,337	12,337
Balances as of November 23, 2019	63,604	$ 636	$ 470,427	31,466	$ (516,103)	$ (13,226)	$ 358,531	$ 300,265
Exercise of stock options	119	1	1,658					1,659
Stock-based compensation expense			1,428					1,428
Issuance of common stock under Employee Stock Purchase Plan	184	2	2,529					2,531
Cancellation of restricted stock	(7)	-						-
Issuance of restricted stock	10	-						-
Issuance of restricted stock out of treasury stock to board of director members			(10)	(18)	15		(5)	-
Repurchase of shares				318	(5,000)			(5,000)
Cash dividends declared ($0.14 per share)							(4,501)	(4,501)
Currency translation adjustment						(522)		(522)
Net income for the three months ended February 22, 2020							6,942	6,942
Balances as of February 22, 2020	63,910	$ 639	$ 476,032	31,766	$ (521,088)	$ (13,748)	$ 360,967	$ 302,802

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated Other Comprehensive	Retained	Total Stockholders'
	Shares	Amount	Capital	Shares	Amount	Loss	Earnings	Equity
Balances as of May 26, 2018	61,252	$ 613	$ 429,578	29,638	$ (486,722)	$ (10,385)	$ 335,741	$ 268,825
Exercise of stock options	186	2	2,407					2,409
Stock-based compensation expense			1,327					1,327
Issuance of common stock under Employee Stock Purchase Plan	166	1	2,177					2,178
Purchase of shares				468	(7,462)			(7,462)
Cash dividends declared ($0.13 per share)							(4,095)	(4,095)
Currency translation adjustment						(602)		(602)
Net income for the three months ended August 25, 2018							5,741	5,741
Balances as of August 25, 2018	61,604	$ 616	$ 435,489	30,106	$ (494,184)	$ (10,987)	$ 337,387	$ 268,321
Exercise of stock options	565	6	7,998					8,004
Stock-based compensation expense			1,611					1,611
Purchase of shares				339	(5,540)			(5,540)
Cash dividends declared ($0.13 per share)							(4,124)	(4,124)
Currency translation adjustment						(1,426)		(1,426)
Net income for the three months ended November 24, 2018							10,564	10,564
Balances as of November 24, 2018	62,169	$ 622	$ 445,098	30,445	$ (499,724)	$ (12,413)	$ 343,827	$ 277,410
Exercise of stock options	641	6	8,720					8,726
Stock-based compensation expense			1,866					1,866
Issuance of common stock under Employee Stock Purchase Plan	192	2	2,319					2,321
Issuance of restricted stock out of treasury stock to board of director members				(21)	510		(510)	-
Purchase of shares				558	(9,249)			(9,249)
Cash dividends declared ($0.13 per share)							(4,147)	(4,147)
Currency translation adjustment						577		577
Net income for the three months ended February 23, 2019							5,796	5,796
Balances as of February 23, 2019	63,002	$ 630	$ 458,003	30,982	$ (508,463)	$ (11,836)	344,966	$ 283,300

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

RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Nine Months Ended	
	February 22, 2020	February 23, 2019
Cash flows from operating activities:		
Net income	$ 24,218	$ 22,101
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,066	6,284
Stock-based compensation expense	4,649	4,961
Contingent consideration adjustment	(1,120)	(374)
Loss on disposal of assets	67	346
Bad debt expense	1,226	477
Non-cash benefit	(46)	-
Deferred income taxes	604	5,699
Changes in operating assets and liabilities, net of effects of business combinations:		
Trade accounts receivable	4,684	(9,416)
Prepaid expenses and other current assets	(812)	(848)
Income taxes	(5,298)	(4,988)
Other assets	(997)	(1,186)
Accounts payable and accrued expenses	(3,276)	(407)
Accrued salaries and related obligations	(12,192)	(11,608)
Other liabilities	1,790	2,455
Net cash provided by operating activities	21,563	13,496
Cash flows from investing activities:		
Redemption of short-term investments	5,981	-
Proceeds from sale of assets	105	-
Acquisition of Expertence, net of cash acquired	(254)	-
Acquisition of Veracity, net of cash acquired of $2.1 million	(30,258)	-
Purchase of property and equipment	(2,043)	(5,939)
Net cash used in investing activities	(26,469)	(5,939)
Cash flows from financing activities:		
Proceeds from exercise of stock options	5,126	19,139
Proceeds from issuance of common stock under Employee Stock Purchase Plan	5,130	4,499
Purchase of common stock	(5,000)	(22,251)
Proceeds from Revolving Credit Facility	35,000	-
Repayment on Revolving Credit Facility	(29,000)	(5,000)
Cash dividends paid	(13,080)	(12,011)
Net cash used in financing activities	(1,824)	(15,624)
Effect of exchange rate changes on cash	(371)	(436)
Net decrease in cash	(7,101)	(8,503)
Cash and cash equivalents at beginning of period	43,045	56,470
Cash and cash equivalents at end of period	$ 35,944	$ 47,967

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

1. Description of the Company and its Business

Resources Connection, Inc. ("Resources Connection"), a Delaware corporation, was incorporated on November 16, 1998. The Company's operating entities provide services primarily under the name Resources Global Professionals ("RGP", the "Company," "we," "our" or "us")). RGP is a global consulting firm that enables rapid business outcomes by bringing together the right people to create transformative change. As a human capital partner for its clients, the Company specializes in solving today's most pressing business problems across the enterprise in the areas of Business Strategy & Transformation, Finance & Accounting, Risk & Compliance and Technology & Digital Innovation. The Company has offices in the United States ("U.S."), Asia, Australia, Canada, Europe and Mexico.

The Company's fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The third quarters of fiscal 2020 and 2019 each consisted of 13 weeks. The Company's fiscal 2020 will consist of 53 weeks.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three and nine months ended February 22, 2020 and February 23, 2019 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) 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 2019 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 full fiscal year. These interim financial statements should be read in conjunction with the audited financial statements for the year ended May 25, 2019, which are included in the Company's Annual Report on Form 10-K ("Fiscal Year 2019 Form 10-K") which was filed with the SEC on July 19, 2019 (File No. 000-32113).

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements included in the Fiscal Year 2019 Form 10-K. The Company has reviewed its accounting policies, identifying those that it believes to be critical to the preparation and understanding of its consolidated financial statements in the list set forth below. See the disclosure under the heading "Critical Accounting Policies" in Item 7 of Part II of the Fiscal Year 2019 Form 10-K for a detailed description of these policies and their potential effects on the Company's results of operations and financial condition.

- Allowance for doubtful accounts
- Income taxes
- Revenue recognition
- Stock-based compensation
- Valuation of long-lived assets
- Business combinations

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.

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 and unvested restricted stock. 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 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 (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	February 22, 2020	February 23, 2019	February 22, 2020	February 23, 2019
Net income	$ 6,942	$ 5,796	$ 24,218	$ 22,101
Basic:				
Weighted average shares	32,159	31,890	31,954	31,784
Diluted:				
Weighted average shares	32,159	31,890	31,954	31,784
Potentially dilutive shares	339	480	396	644
Total dilutive shares	32,498	32,370	32,350	32,428
Net income per common share:				
Basic	$ 0.22	$ 0.18	$ 0.76	$ 0.70
Dilutive	$ 0.21	$ 0.18	$ 0.75	$ 0.68
Anti-dilutive shares not included above	4,274	3,716	3,749	3,313

Financial Instruments

The fair value of the Company's financial instruments reflects the amounts that the Company estimates it will receive in connection with the sale of an asset in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Unobservable inputs.

Contingent consideration liability is for estimated future contingent consideration payments related to the Company's acquisitions. Total contingent consideration liabilities were $7.8 million and $2.2 million as of February 22, 2020 and May 25, 2019, respectively. The fair value measurement of the liability is based on significant inputs not observed in the market and thus represents a Level 3 measurement. The significant unobservable inputs used in the fair value measurement of the contingent consideration liability are the Company's measures of the estimated payouts based on internally generated financial projections and discount rates. The fair value of contingent consideration liability is reassessed on a quarterly basis by the Company using additional information as it becomes available, and any change in the fair value estimates are recorded in selling, general and administrative expenses in the Company's Consolidated Statements of Operations. See Note 3 – *Acquisitions and Dispositions*.

The Company's short-term investments were $6.0 million as of May 25, 2019. The short-term investments represented commercial papers with original contractual maturities between three months and one year and were considered "held-to-maturity" securities. The investments were measured using quoted prices in markets that are not active (Level 2).

The Company's financial instruments, including cash, accounts receivable, accounts payable, accrued expenses and long-term debt are carried at cost, which approximates their fair value because of the short-term maturity of these instruments or because their stated interest rates are indicative of market interest rates.

Recent Accounting Pronouncements Adopted

Effective as of the beginning of fiscal year 2020, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases, ASU No. 2018-10, Codification Improvements to Topic 842 (Leases) and ASU No. 2018-11, Targeted Improvements to Topic 842 (Leases). The guidance is intended to increase transparency and comparability among companies for leasing transactions, including a requirement for companies that lease assets to recognize on their balance sheets the assets and liabilities for the rights and obligations created by those leases. The guidance also provides for disclosures that allow the users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Company adopted the guidance on May 26, 2019 using the modified retrospective method without restatement of comparative periods. As such, periods prior to the date of adoption are presented in accordance with ASC 840 - Leases. The Company utilized the available practical expedient that allowed the Company to not reassess whether existing contracts contain a lease under the new definition of a lease, the lease classification for existing leases, whether previously capitalized initial direct costs would qualify for capitalization under the new guidance and recognize leases with an initial term of 12 months or less on a straight-line basis without recognizing a right-of-use ("ROU") asset or operating lease liability.

The adoption of this guidance had a material impact on the Consolidated Balance Sheet beginning May 26, 2019 due to the recognition of ROU assets and lease liabilities for the Company's portfolio of operating leases. The adoption of the guidance had an immaterial impact on the Consolidated Statements of Operations, Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows for the three and nine months ended February 22, 2020.

Additional information and disclosures required by the new standard are contained in Note 5, *Leases*.

3. Acquisitions and Dispositions

Acquisition of Expertence

On November 30, 2019, the Company acquired Expertforce Interim Projects GmBH, LLC ("Expertence"), a leading provider of professional interim management services, based in Munich Germany. With the acquisition of Expertence, the Company is able to offer a full range of project and management consulting services in the Germany market. The Company paid initial cash consideration of $0.4 million. The initial consideration is subject to final adjustments for the impact of working capital as defined in the purchase agreement.

In addition, the purchase agreement requires earn-out payments to be made based on performance over an 18-month period ending on May 31, 2021. The Company is obligated to pay the former owners of Expertence contingent consideration if certain revenue targets are achieved, up to a maximum of $0.3 million. In determining the fair value of the contingent consideration liability, the Company used an estimate based on a number of possible projections over the earnout period and applied a probability to each possible outcome. Given the short duration of the earnout period, the fair value of contingent liability was measured on an undiscounted basis. Each reporting period, the Company will estimate changes in the fair value of contingent consideration and any change in fair value will be recognized in the Company's Consolidated Statements of Operations. The estimate of fair value of contingent consideration requires very subjective assumptions to be made of various potential revenue results. We do not expect future revisions to these assumptions to materially change the estimate of the fair value of contingent consideration and the Company's future operating results.

Fair value of consideration transferred (in thousands):

Cash	$	383
Estimated initial contingent consideration		305
Total	$	688

Cash and cash equivalents	$	11
Accounts receivable		215
Prepaid expenses and other current assets		7
Intangible assets:		
Computer software (24 months useful life)		184
Total identifiable assets		417
Accounts payable		196
Accrued expenses and other current liabilities		8
Deferred tax liability		59
Total liabilities assumed		263
Net identifiable assets acquired		154
Goodwill		534
Net assets acquired	$	688

Results of operations of Expertence are included in the Consolidated Statements of Operations from the date of acquisition and were not material to the Company's consolidated results. During the third quarter of fiscal 2020, the Company incurred $0.1 million in acquisition costs which were recorded in selling, general and administrative expenses in the Consolidated Statement of Operations.

Acquisition of Veracity

On July 31, 2019, the Company acquired Veracity Consulting Group, LLC ("Veracity"), a fast-growing, digital transformation firm based in Richmond, Virginia, that delivers innovative solutions to the Fortune 500 and leading healthcare organizations. The acquisition of Veracity is a step in accelerating the Company's stated objective to enhance its digital capabilities and allows the Company to offer comprehensive end-to-end solutions to its clients by combining Veracity's customer-facing offerings with the Company's depth of experience in transforming the back office. The Company paid initial cash consideration of $30.3 million (net of $2.1 million cash acquired). The initial consideration is subject to final adjustments for the impact of the Internal Revenue Code Section 338(h)(10) joint election between the Company and former owners of Veracity and working capital as defined in the purchase agreement.

In addition, the purchase agreement requires earn-out payments to be made based on performance after each of the first and second anniversary of the acquisition date. The Company is obligated to pay the former owners of Veracity contingent consideration if certain earnings before interest, taxes, depreciation and amortization ("EBITDA") requirements are achieved. In determining the fair value of the contingent consideration liability, the Company used the Monte Carlo simulation modeling which included the application of an appropriate discount rate (Level 3 fair value). Each reporting period, the Company will estimate changes in the fair value of contingent consideration and any change in fair value will be recognized in the Company's Consolidated Statements of Operations. The estimate of fair value of contingent consideration requires very subjective assumptions to be made of various potential EBITDA results and discount rates. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and therefore could materially affect the Company's future operating results.

During the quarter ended August 24, 2019, the Company made an initial provisional allocation of the purchase price for Veracity based on the fair value of the assets acquired and liabilities assumed, with the residual amount recorded as goodwill, in accordance with Accounting Standards Codification ("ASC") 805. The Company's initial purchase price allocation considered a number of factors, including the valuation of identifiable intangible assets and contingent consideration. During the three months ended November 23, 2019, the Company adjusted the previously reported provisional allocation of the purchase price to reflect new information obtained during the quarter, which resulted in changes in expected future performance and cash flows as of the acquisition date. There were no additional adjustments to the provisional purchase price allocation during the three months ended February 22, 2020.

The following table provides a summary of the adjusted provisional purchase price allocation.

Fair value of consideration transferred (in thousands):

Cash	$	32,314
Estimated initial contingent consideration		6,290
Total	$	38,604

Recognized provisional amounts of identifiable assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	$	2,056
Accounts receivable		3,299
Prepaid expenses and other current assets		116
Intangible assets:		
Backlog (17 months useful life)		1,210
Customer relationships (7 years useful life)		9,300
Trademarks (3 years useful life)		570
Property and equipment		117
Total identifiable assets		16,668
Accounts payable		305
Accrued expenses and other current liabilities		712
Total liabilities assumed		1,017
Net identifiable assets acquired		15,651
Goodwill		22,953
Net assets acquired	$	38,604

The remeasured purchase price allocation above may be subject to further adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date. A final determination of fair value of assets acquired and liabilities assumed relating to the acquisition could differ from the stated purchase price allocation. As of the acquisition date, the gross contractual amount of accounts receivable of $3.3 million was expected to be fully collected.

During the three and nine months ended February 22, 2020, the fair value of contingent consideration decreased by $0.8 million and $0.6 million, respectively. Such amounts were recorded in selling, general and administrative expense in the Consolidated Statements of Operations. As of February 22, 2020, the contingent consideration liability was $5.6 million of which $3.0 million was included in Other current liabilities and $2.6 million was included in Long-term liabilities in the Consolidated Balance Sheet. The change in fair value of contingent consideration from the remeasurement was recorded in selling, general and administrative expense in the Consolidated Statement of Operations for the three months ended February 22, 2020.

Results of operations of Veracity are included in the Consolidated Statements of Operations from the date of acquisition. Veracity contributed $5.4 million and $12.6 million to consolidated revenue and $1.1 million and $2.5 million to income from operations in the three and nine months ended February 22, 2020, respectively. The Company incurred $0.6 million in acquisition costs which were recorded in selling, general and administrative expenses in the Consolidated Statement of Operations for the nine months ended February 22, 2020.

Prior Period Acquisitions

During fiscal 2018, the Company completed two acquisitions, the acquisition of Taskforce – Management on Demand AG (“Taskforce”) and Accretive Solutions, Inc. (“Accretive”). See Note 3 to the consolidated financial statements included in Part II, Item 8 in the Fiscal Year 2019 Form 10-K for additional detail.

During the three months ended February 22, 2020, the Company did not have any material adjustment to the contingent consideration liability relating to Taskforce. A final contingent consideration payment of €1.6 million ($1.8 million) was paid to the sellers of Taskforce on March 30, 2020.

In addition, on October 14, 2019, the Company reached a final settlement on a pre-acquisition claim with the seller of Accretive. As a part of the settlement, the Company issued 82,762 shares of common stock to the seller and received $0.6 million in cash from the escrow. The resulting gain of $0.5 million was included in Other (income) expense in the Consolidated Statements of Operations for the nine months ended February 22, 2020.

Dispositions

On September 2, 2019, the Company completed the sale of certain assets and liabilities of its foreign subsidiary, Resources Global Professionals Sweden AB, to Capacent Holding AB (publ), a Swedish public company, for SEK1,016,862 (approximately $105,000) in cash resulting in a loss on sale of assets of approximately $38,000. As a part the sale, the Company transferred the majority of its local customer contracts, the existing office lease as well as all its employee consultants. As a result of the sale, the nearby Denmark and Norway markets also discontinued serving local Sweden customer contracts. The Company expects to continue to serve its global client base and to a lesser extent, its remaining local client contracts, in Sweden and Denmark.

In addition, during the quarter ended February 22, 2020, the Company continued to wind down business in the Belgium, (including its wholly owned subsidiary in Luxembourg) and Norway markets. The Company expects to fully dissolve all three entities by the end of fiscal 2020. In connection with the foregoing sale of assets and exit activities, the Company incurred costs of approximately $0.7 million primarily related to employee termination benefits. Such expenses were included in selling, general and administrative expenses in the Consolidated Statements of Operations for the nine months ended February 22, 2020. None of the markets sold or exited are considered strategic components of the Company’s operations.

In connection with exiting the above-mentioned entities, the Company analyzed the facts and circumstances regarding its historical and current investments, along with its associated accounting and tax positions. Based on the analysis, the Company recorded a tax benefit related to the worthless stock loss in the investment in its wholly owned subsidiaries as well as worthless loans to these subsidiaries. See Note 6 – *Income taxes.*

4. Intangible Assets and Goodwill

The following table summarizes details of the Company's intangible assets and related accumulated amortization (amounts in thousands):

	As of February 22, 2020			As of May 25, 2019		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer contracts and relationships (3-8 years)	$ 23,738	$ (5,780)	$ 17,958	$ 14,495	$ (3,439)	$ 11,056
Tradenames (3-10 years)	4,916	(2,399)	2,517	4,407	(1,563)	2,844
Backlog (17 months)	1,210	(468)	742	-	-	-
Consultant list (3 years)	757	(642)	115	783	(462)	321
Non-compete agreements (3 years)	866	(733)	133	896	(528)	368
Computer software (2 years)	181	(23)	158	-	-	-
Total	$ 31,668	$ (10,045)	$ 21,623	$ 20,581	$ (5,992)	$ 14,589

The Company recorded amortization expense of $1.5 million and $0.9 million for the three months ended February 22, 2020 and February 23, 2019, respectively, and $4.2 million and $2.9 million for the nine months ended February 22, 2020 and February 23, 2019, respectively.

The following table summarizes future estimated amortization expense related to intangible assets (in thousands):

	Fiscal Years Ending				
	2020	2021	2022	2023	2024
Expected amortization expense	$ 5,741	$ 4,589	$ 3,331	$ 3,133	$ 3,097

The estimates of future intangible asset amortization expense do not incorporate the potential impact of future currency fluctuations when translating the financial results of the Company's international operations that have amortizable intangible assets into U.S. dollars.

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

	February 22, 2020	February 23, 2019
Goodwill, beginning of year	$ 190,815	$ 191,950
Acquisitions- (see Note 3)	23,487	-
Impact of foreign currency exchange rate changes	(851)	(801)
Goodwill, end of period	$ 213,451	$ 191,149

5. Leases

The Company currently leases office space, vehicles and certain equipment under operating leases expiring through 2028. Operating leases include fixed payments plus, in some cases, scheduled base rent increases over the term of the lease. Certain leases require variable payments of common area maintenance, operating expenses and real estate taxes applicable to the property. Variable payments are excluded from the measurements of lease liabilities and are expensed as incurred. Any tenant improvement allowances received from the lessor are recorded as a reduction to rent expense over the term of the lease. No lease agreements contain any residual value guarantees or material restrictive covenants.

Certain of the Company's leases include one or more options to renew or terminate the lease at the Company's discretion. Generally, the renewal and termination options are not included in the right-of-use assets and lease liabilities as they are not reasonably certain of exercise. The Company regularly evaluates lease renewal and termination options and, when they are reasonably certain of exercise, includes the renewal or termination option in the lease term.

The Company measures the lease liability for each leased asset at the present value of lease payments, as defined in ASC 842, discounted using an incremental borrowing rate. As most of the Company's leases do not provide an implicit interest rate, the Company utilizes its incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of lease payments. The Company has a centrally managed treasury function; therefore, a portfolio approach is applied in determining the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a fully collateralized basis over a similar term in an amount equal to the total lease payments in a similar economic environment. The Company's right-of-use assets are equal to the lease liabilities, adjusted for lease incentives received, including tenant improvement allowances, deferred rent, and prepayments made to the lessor.

In some instances, the Company sublease excess office space to third party tenants. The Company does not recognize liabilities or right-of-use assets for leases with an initial term of 12 months or less.

Lease cost components included within selling, general and administrative expenses in the Consolidated Statements of Operations were as follows (in thousands):

	Three Months Ended February 22, 2020	Nine Months Ended February 22, 2020
Operating lease cost	$ 3,159	$ 9,275
Short-term lease cost	124	322
Variable lease cost	562	1,762
Sublease income	(230)	(536)
Total lease cost	$ 3,615	$ 10,823

Supplemental cash flow information related to the Company's operating leases were as follows (in thousands):

	Nine Months Ended February 22, 2020
Cash paid for amounts included in the measurement of operating lease liabilities	$ 9,783
Right-of-use assets obtained in exchange for lease obligations	$ 5,101

The weighted average remaining lease term and weighted average discount rate for our operating leases were as follows:

	As of February 22, 2020
Weighted average remaining lease term	4.5 years
Weighted average discount rate	4.12%

The maturities of operating lease liabilities were as follows as of February 22, 2020 (in thousands):

Years Ending:	Operating Lease Maturity
May 30, 2020 (excluding the nine months ended February 22, 2020)	$ 3,299
May 29, 2021	12,696
May 28, 2022	10,955
May 27, 2023	8,561
May 25, 2024	7,057
Thereafter	6,570
Total operating lease payments	$ 49,138
Less: Imputed interest	(4,361)
Present value of operating lease liabilities	$ 44,777

6. Income Taxes

In general, the Company's income tax provision primarily includes tax expense (benefit) on operating results of the Company's U.S. and foreign entities, all taxed at different statutory rates applicable in the various tax jurisdictions, changes in valuation allowances related to tax benefits of certain foreign locations and tax expense (benefit) related to stock-based compensation for nonqualified stock options and for disqualifying dispositions under the Company's Employee Stock Purchase Plan ("ESPP"). The Company records income tax expense (benefit) based upon actual results versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

Income tax (benefit) expense was ($4.0) million, an effective tax benefit rate of (135%), and $3.8 million, an effective tax rate of 40%, for the three months ended February 22, 2020 and February 23, 2019, respectively. Income tax expense was $4.0 million, an effective tax rate of 14%, and $12.5 million, an effective tax rate of 36%, for the nine months ended February 22, 2020 and February 23, 2019, respectively.

The income tax (benefit) for the three months ended February 22, 2020 compared to the income tax expense for the prior year quarter was primarily the result of a deduction related to a worthless stock loss in the Company's investment in its wholly owned subsidiaries as well as lower operating results. The Company, after analyzing the facts and circumstances, determined to no longer invest in the Belgium, Luxembourg and the Nordics markets which includes Sweden and Norway. The Company has maintained a permanent investment position and, therefore, has not previously recorded a deferred tax asset for the basis differences of these entities. The financial results of these entities have created an excess of tax basis over the book basis in which the worthless stock that will be deducted for income tax purposes is approximately $25.8 million, resulting in an estimated net tax benefit of $6.6 million. Management has analyzed these transactions and determined that these worthless stock deductions qualify as ordinary losses. In addition, the Company took a deduction relating to worthless loans of approximately $4.5 million which is also treated as ordinary losses, resulting in a net tax benefit of $0.7 million after the offset of the estimated global intangible low-taxed income ("GILTI") tax. While management believes this is a proper income tax deduction, the deduction may be subject to examination by tax authorities and thus, management has determined this tax benefit to be an uncertain tax position. Accordingly, the Company fully reserved for the tax benefit associated with the worthless loan deduction. The reserve includes offsetting the federal and state benefits, by the estimated GILTI tax increase.

The income tax expense for the nine months ended February 22, 2020 compared to the income tax expense for the prior year nine months was primarily the result of a deduction discussed above as well as lower operating results.

The Company recognized a net tax expense of approximately of $0.7 million and $0.2 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the Company's ESPP during the three months ended February 22, 2020 and February 23, 2019, respectively. The Company recognized a tax expense of approximately breakeven and $0.2 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the first nine months of fiscal 2020 and fiscal 2019, respectively. The net tax expense results from expiring stock options during these periods.

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 U.S. statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying incentive stock options exercises.

7. Long-Term Debt

The Company has a $120 million secured revolving credit facility ("Facility") with Bank of America, consisting of (i) a $90 million revolving loan facility ("Revolving Loan"), which includes a $5 million sublimit for the issuance of standby letters of credit, and (ii) a $30 million reducing revolving loan facility ("Reducing Revolving Loan"), any amounts of which may not be reborrowed after being repaid. 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 respective 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 dispositions of assets. In addition, the Facility requires the Company to comply with financial covenants limiting the Company's total funded debt, minimum interest coverage ratio and maximum leverage ratio. The Company was compliant with all financial covenants under the Facility as of February 22, 2020.

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 were $49.0 million as of February 22, 2020, all of which were under the Revolving Loan. In addition, the Company had $1.5 million of outstanding letters of credit issued under the Revolving Loan as of February 22, 2020. The Company has $39.5 million remaining to borrow under the Revolving Loan and $30.0 million remaining under the Reducing Revolving Loan as of February 22, 2020. As of February 22, 2020, the interest rate on the Company's borrowings were as follows (amounts in thousands, except percentages):

Principal Balance		Base Rate	Libor Rate		Interest Rate
$	25,000	1.25%	6-month	1.93%	3.18%
	24,000	1.25%	2-month	1.81%	3.06%
$	49,000				

8. 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. During the three months ended February 22, 2020, the Company purchased 318,430 shares of its common stock on the open market at an average price of $15.70 per share, for approximately $5.0 million. As of February 22, 2020, approximately $85.1 million remained available for future repurchases of the Company's common stock under the July 2015 program.

Quarterly Dividend

Subject to approval each quarter by its board of directors, the Company pays a regular quarterly cash dividend. On January 23, 2020 the Company's board of directors declared a quarterly cash dividend of $0.14 per common share. The dividend of approximately $4.5 million was paid on March 19, 2020 to the holders on record on February 20, 2020 and is accrued in the Company's Consolidated Balance Sheet as of February 22, 2020.

Continuation of the quarterly dividend is at the discretion of the board of directors and depends upon the Company's financial condition, results of operations, capital requirements, general business condition, contractual restrictions contained in the Company's current credit agreements and other agreements, and other factors deemed relevant by the board of directors.

9. 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):

	Nine Months Ended			
	February 22, 2020		February 23, 2019	
Income taxes paid	$	8,163	$	11,640
Interest paid	$	1,669	$	1,878
Non-cash investing and financing activities:				
Capitalized leasehold improvements paid directly by landlord	$	59	$	1,211
Acquisition of Veracity:				
Liability for contingent consideration	$	5,580	$	-
Acquisition of *taskforce*:				
Liability for contingent consideration	$	1,840	$	4,202
Acquisition of Expertence:				
Liability for contingent consideration	$	302	$	-
Acquisition of Accretive:				
Issuance of common stock	$	1,141	$	-
Dividends declared, not paid	$	4,501	$	4,147

10. Stock-Based Compensation Plans

General

Executive officers and employees, as well as non-employee directors of the Company and certain consultants and advisors to the Company, are eligible to participate in the Company's 2014 Performance Incentive Plan ("2014 Plan"). The 2014 Plan was approved by stockholders on October 23, 2014 and replaced and succeeded in its entirety the Resources Connection, Inc. 2004 Performance Incentive Plan and the 1999 Long Term Incentive Plan. As of February 22, 2020, 1,197,000 shares were available for award grant purposes under the 2014 Plan, subject to future increases as described in the 2014 Plan.

Awards under the 2014 Plan may include, but are not limited to, stock options, restricted stock units and restricted stock grants, including restricted stock units under the Company's Directors Deferred Compensation Plan. 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.

Stock Options and Restricted Stock

The following table summarizes the stock option activity for the nine months ended February 22, 2020 (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 25, 2019	6,029	$ 15.95	6.06	$ 5,482
Granted, at fair market value	1,318	17.37		
Exercised	(376)	13.63		
Forfeited	(409)	17.38		
Expired	(551)	17.11		
Outstanding at February 22, 2020	6,011	$ 16.12	6.52	$ 1,982
Exercisable at February 22, 2020	3,452	$ 15.13	4.71	$ 1,982
Vested and expected to vest at February 22, 2020	5,744	$ 16.04	6.33	$ 1,982

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company's closing stock price on the last trading day of the third quarter of fiscal 2020 and the exercise price multiplied by the number of shares that would have been received by the option holders if they had exercised their "in the money" options on February 22, 2020. 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 February 22, 2020 and February 23, 2019 was $0.4 million and $1.9 million, respectively, and during the nine months ended February 22, 2020 and February 23, 2019 was $1.2 million and $5.0 million, respectively. As of February 22, 2020, there was $11.7 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 1.9 years.

The Company granted 28,372 and 21,537 shares of restricted stock during the nine months ended February 22, 2020 and February 23, 2019, respectively. As of February 22, 2020, there were 177,002 unvested restricted shares, including restricted stock units under the Directors Deferred Compensation Plan, with approximately $2.5 million of remaining unrecognized compensation cost.

Stock-Based Compensation Expense

Stock-based compensation expense included in selling, general and administrative expenses was $1.5 million and $1.9 million for the three months ended February 22, 2020 and February 23, 2019, respectively, and $4.6 million and $5.0 million for the nine months ended February 22, 2020 and February 23, 2019, respectively. These amounts consisted of stock-based compensation expense related to employee stock options, employee stock purchases made via the ESPP, restricted stock awards and stock units credited under the Directors Deferred Compensation Plan. 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. There were no capitalized share-based compensation costs during the nine months ended February 22, 2020 or February 23, 2019.

Employee Stock Purchase Plan

On October 15, 2019, the Company's stockholders approved the 2019 ESPP which supersedes the 2014 ESPP. The maximum number of shares of the Company's common stock that were authorized for issuance under the 2019 ESPP is 1,825,000. All unissued shares under the 2014 ESPP are no longer available.

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 July 16, 2029. The Company issued 399,000 and 358,000 shares of common stock pursuant to the ESPP during the nine months ended February 22, 2020 and the year ended May 25, 2019, respectively. There were 1,641,000 shares of common stock available for issuance under the ESPP as of February 22, 2020.

11. 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 Fiscal Year 2019 Form 10-K. Summarized information regarding the Company's domestic and international operations is shown in the following table (amounts in thousands):

	Revenue for the Three Months Ended		Revenue for the Nine Months Ended		Long-Lived Assets (1) as of	
	February 22, 2020	**February 23, 2019**	**February 22, 2020**	**February 23, 2019**	**February 22, 2020**	**May 25, 2019**
United States	$ 136,149	$ 142,409	$ 422,197	$ 432,539	$ 260,099	$ 200,385
International	31,903	37,089	102,587	114,316	38,024	31,651
Total	$ 168,052	$ 179,498	$ 524,784	$ 546,855	$ 298,123	$ 232,036

(1) Long-lived assets are comprised of goodwill, intangible assets and property and equipment. Long-lived assets as of February 22, 2020 included the Company's operating right-of-use assets which were added as a result of the Company's adoption of ASC 842 Leases. See Note 5 — *Leases.*

12. 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.

13. Subsequent Events

On February 27, 2020, the Company's management and board of directors committed to a restructuring plan to reduce approximately 7.5% of our management and administrative workforce and consolidate its geographic presence to certain key markets. The restructuring plan was designed to streamline the Company's organizational structure, reduce operating costs and more effectively align resources to business priorities. The majority of employees impacted by the reduction in force are expected to exit before the end of fiscal 2020, with the remainder exiting in the first quarter of fiscal 2021. Based on management's rationalization of its real estate footprint, a plan was put in place to terminate or sublet 26% of its real estate leases by the end of the 2020 calendar year. The Company expect to incur $4 million to $5 million of restructuring charges relating to employee termination costs, of which approximately $3 million will be incurred in the fourth quarter of fiscal 2020. In connection with real estate restructuring, the Company expects to incur $1 million of lease termination costs, costs associated with existing real estate facilities and non-cash asset write-offs. Further charges are expected in fiscal 2021 as the Company completes the restructuring plan.

In March 2020, as events relating to COVID-19 continued to develop globally and impact the capital markets, in an abundance of caution the Company borrowed $39.0 million under the Facility to provide substantial liquidity in the event that COVID-19 persists. As of March 24, 2020, the Company has $0.5 million remaining to borrow under the Revolving Loan and $30.0 million remaining under the Reducing Revolving Loan.

On March 27, 2020, the President of the United States signed the Coronavirus Aid Relief, and Economic Security (CARES) Act into law. The Act includes several significant provisions for corporations, including the usage of net operating losses, interest deductions and payroll benefits. The Company is evaluating the impact, if any, this Act will have on the Company's financials and required disclosures.

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" (the "Securities Act"), 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 review carefully the disclosures we make concerning risks, uncertainties and other factors that may affect our business or operating results included in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended May 25, 2019 (File No. 000-32113) and our other public filings made with the Securities and Exchange Commission ("SEC"). 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," the "Company," "we," "us," and "our" refer to Resources Connection, Inc. and its subsidiaries.

Overview

RGP is a global consulting firm that enables rapid business outcomes by bringing together the right people to create transformative change. As a human capital partner for our clients, we specialize in solving today's most pressing business problems across the enterprise in the areas of Business Strategy & Transformation, Finance & Accounting, Risk & Compliance and Technology & Digital Innovation. Our engagements are designed to leverage human connection and collaboration to deliver practical solutions and more impactful results that power our clients, consultants and partners' success.

RGP was founded in 1996 to help finance executives with operational and special project needs. Our first-to-market, agile human capital model quickly aligns the right resources for the work at hand with speed and efficiency. Our pioneering approach to workforce strategy uniquely positions us to support our clients on their transformation journeys. With more than 4,000 professionals, we annually engage with over 2,400 clients around the world from more than 70 practice offices.

To achieve our objective of being the premier provider of agile consulting services for companies facing transformation, change and compliance challenges, we have developed the following business strategies:

- *Hire and retain highly qualified, experienced consultants.* We believe our highly qualified, experienced consultants provide us with a distinct competitive advantage. Therefore, one of our priorities is to continue to attract and retain high-caliber consultants who are committed to solving problems.

- *Maintain our distinctive culture.* Our corporate culture is the foundation of our business strategy and we believe it has been a significant driver of our success. We believe our shared values, embodied in "LIFE AT RGP", representing Loyalty, Integrity, Focus, Enthusiasm, Accountability and Talent, has created a circle of quality; our culture is instrumental to our success in hiring and retaining highly qualified employees who, in turn, attract quality clients.

- *Build consultative relationships with clients.* We emphasize a relationship-oriented approach to business rather than a transaction-oriented or assignment-oriented approach. We believe the professional services experience brought by our management team and consultants alike enables us to understand the needs of our clients and deliver an integrated, relationship-based approach to meeting those needs. Client relationships and needs are addressed from a client-based, not office-based, perspective. We regularly meet with our existing and prospective clients to understand their business issues and help them define their project needs.

- *Build the RGP brand.* We want to be the preferred provider of agile professional services in the Future of Work. Our primary means of building our brand is by consistently providing high-quality, value-added services to our clients. We have also focused on building a significant referral network. In addition, we have launched global, regional and local marketing efforts that reinforce the RGP brand.

Key Transformation Initiatives

Through fiscal 2019, we completed various initiatives including cultivating a more robust sales culture, adopting a new operating model for sales, talent and delivery in North America, refreshing the RGP brand and establishing a digital innovation functions focused on building and commercializing our digital engagement platform, enhancing our consulting capabilities in the digital transformation space, and building and commercializing digital product offerings.

To optimize our sales organization, we aligned our sales process using tools such as Salesforce.com, established an enterprise-wide business development function, and implemented a new incentive compensation program for individuals focused on profitable revenue generation and gross margin. In addition, we expanded our Strategic Client Program, which assigns dedicated account teams to certain high-profile clients with global operations.

Under the new operating model in North America, we realigned reporting relationships, largely defined by functional area rather than on an office location basis. We reorganized our Advisory and Project Services function, a team of seller-doer professionals whose primary responsibility is to shepherd sales pursuits and engagement delivery on our more complex projects. We believe this team deepens the scoping conversation, achieves value-oriented pricing and improves delivery management through greater accountability and a more seamless customer experience.

In fiscal 2019, through an extensive brand refresh project led by an outside firm, we adopted a new brand identity focused on our human-centered approach to serving clients and engaging with our consultants. We believe the development of our new brand will support future revenue growth.

We view our digital innovation initiatives to be important drivers of growth as well. In July 2019, we acquired Veracity Consulting Group, LLC (“Veracity”), a full-service digital transformation firm based in Richmond, Virginia. Veracity delivers innovative solutions to the Fortune 500 and leading healthcare organizations. The addition of Veracity to the RGP platform allows us to offer comprehensive end-to-end digital transformation solutions to clients by combining Veracity’s customer-facing offerings with our depth of experience in back-office solutions (see Note 3 — *Acquisitions and Dispositions*).

Fiscal 2020 Strategic Focus Areas

Through the first nine months of fiscal 2020, we have continued to strengthen our core by further investing in digital innovation as we prepare to launch our digital engagement platform in fiscal 2021, as well as further refining our operating model and optimizing our systems and structure.

During the first quarter of fiscal 2020, we evaluated certain European markets and their client base. Through this review, we made the decision to divest our business in Resources Global Professionals Sweden AB (“RGP Sweden”) and initiated an exit from the Belgium market, including its wholly own subsidiary in Luxemburg, as well as Norway. We continued to wind down business in these markets during the third quarter of fiscal 2020. In connection with the sale and exit activities, we filed a U.S. tax election to disregard these entities, enabling us to claim a tax benefit on our U.S tax returns for the tax basis of our investment in such entities (see Note 6 – *Income Taxes*).

During the third quarter of fiscal 2020, we embarked on the latest phase of our transformation journey, performing a deep and strategic review of our global business, focused initially on North America and Asia Pacific. On February 27, 2020, management and the board of directors committed to a restructuring plan to reduce approximately 7.5% of our management and administrative workforce and consolidate our geographic presence to certain key markets, while shifting to a virtual operating model in most other markets. With this shift in our real estate strategy, we expect to terminate or sublet 26% of our existing real estate leases by the end of fiscal 2021 through both termination and subleasing.

We expect to take a restructuring charge of $4 million to $5 million relating to employee termination costs over the fourth quarter of fiscal 2020 and first quarter of fiscal 2021. Upon completion of the reduction in force, we expect annual pre-tax savings of $13 million to $15 million with respect to personnel costs. In fiscal 2021, after the impact of COVID-19 is clearer, we may reinvest a limited amount of those personnel savings in the business to drive forward certain growth initiatives in core markets and digital capabilities.

With respect to our plan to restructure real estate leases, we expect to incur approximately $1 million of lease termination costs and other costs associated with exiting the facilities in the fourth quarter of fiscal 2020. Additional restructuring charges are expected through fiscal 2021 as we continue to execute the plan to exit the real estate leases. Exact amount and timing of the restructuring charge will depend on a number of variables including market conditions.

We believe these actions we are taking to strengthen the business will enable us to operate with greater agility as we seek to ensure our organizational health and resilience in any macro-economic climate.

In January 2020, an outbreak of a novel coronavirus (COVID-19) surfaced in Wuhan, China. In an effort to contain the spread, the Chinese government mandated business closures and restricted certain travel within the country. As a result of the restrictions, many businesses in China extended their Chinese New Year holiday shut down by one to two weeks. Our practices based in China and other parts of Asia adopted virtual methods of working in order to ensure business continuity for both our clients and the Company. Nevertheless, the events relating to COVID-19 had an adverse impact on our business in Asia Pacific during the quarter ended February 22, 2020. As the COVID-19 pandemic continues to take shape globally, there is significant uncertainty as to the likely consequences of this pandemic which may, among other things, reduce demand for or delay client decisions to procure our services. While not yet quantifiable, management expects this development to have an adverse impact on our operating results in the fourth quarter of fiscal 2020 and continues to assess the financial impact for the upcoming fiscal year.

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 U.S. (“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.

We test for impairment, at a minimum, on an annual basis or earlier where certain events or changes in circumstances indicate that goodwill may more likely than not be impaired. As of February 22, 2020, our market capitalization based on its stock price was above our book value. We do not believe it is more likely than not that goodwill was impaired as of February 22, 2020. However, we have experienced declines in the market price of our stock subsequent to the end of the third quarter as a result of the impact from the COVID-19 pandemic on the global economy. Our market capitalization based upon our stock price has fluctuated above and below book value subsequent to the end of the quarter. If there are further decreases in our stock price for a sustained period or other unfavorable factors, we may be required to perform a goodwill impairment assessment, which may result in a recognition of goodwill impairment that could be material to the Consolidated Financial Statements.

Except for the adoption of Accounting Standards Codification (“ASC”) 842 as described in Item 1, Note 2 — *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, 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 25, 2019.

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	February 22, 2020	February 23, 2019	February 22, 2020	February 23, 2019
	(Amounts in thousands)			
Revenue	$ 168,052	$ 179,498	$ 524,784	$ 546,855
Direct cost of services	106,632	111,587	321,484	337,372
Gross margin	61,420	67,911	203,300	209,483
Selling, general and administrative expenses	55,299	55,587	166,032	166,912
Amortization of intangible assets	1,549	948	4,153	2,855
Depreciation expense	1,120	1,163	3,913	3,429
Income from operations	3,452	10,213	29,202	36,287
Interest expense	493	595	1,526	1,729
Other (income)/expense	-	-	(537)	-
Income before income tax (benefit) expense	2,959	9,618	28,213	34,558
Income tax (benefit) expense	(3,983)	3,822	3,995	12,457
Net income	$ 6,942	$ 5,796	$ 24,218	$ 22,101

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

	Three Months Ended		Nine Months Ended	
	February 22, 2020	February 23, 2019	February 22, 2020	February 23, 2019
	(Amounts in thousands, except percentages)			
Net income	$ 6,942	$ 5,796	$ 24,218	$ 22,101
Adjustments:				
Amortization of intangible assets	1,549	948	4,153	2,855
Depreciation expense	1,120	1,163	3,913	3,429
Interest expense	493	595	1,526	1,729
Income tax (benefit) expense	(3,983)	3,822	3,995	12,457
Stock-based compensation expense	1,491	1,948	4,649	4,961
Contingent consideration adjustment	(858)	(343)	(1,120)	(376)
Adjusted EBITDA	$ 6,754	$ 13,929	$ 41,334	$ 47,156
Revenue	$ 168,052	$ 179,498	$ 524,784	$ 546,855
Adjusted EBITDA Margin	4.0 %	7.8 %	7.9 %	8.6 %

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.

Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. We believe Adjusted EBITDA and Adjusted EBITDA Margin provide useful information to our investors because they are financial measures used by management to assess the core performance of the Company. 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, 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 Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Equity based compensation is an element of our long-term incentive compensation program, although we exclude it as an expense from Adjusted EBITDA when evaluating our ongoing operating performance for a particular period;
- We exclude the changes in the fair value of the contingent consideration obligation related business acquisitions from Adjusted EBITDA; and
- Other companies in our industry may calculate Adjusted EBITDA and Adjusted EBITDA Margin differently than we do, limiting their usefulness as a comparative measure.

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

Three Months Ended February 22, 2020 Compared to Three Months Ended February 23, 2019

Percentage change computations are based upon amounts in thousands.

Revenue. Revenue decreased $11.4 million, or 6.4%, to $168.1 million for the three months ended February 22, 2020 from $179.5 million for the three months ended February 23, 2019. On a constant currency basis, revenue decreased 6.2%. The decrease in revenue reflects the impact of less hours worked and a slight decrease in average bill rate. Total hours worked during the three months ended February 22, 2020 decreased 6.4% compared to prior year quarter, while average bill rates for the three months ended February 22, 2020 decreased by 0.8% compared to prior year period. See discussion below for revenue trends in each geographic region.

As presented in the table below, revenue decreased in the first three months of fiscal 2020 compared to the same period of fiscal 2019 in North America, Europe and Asia Pacific (dollars in thousands):

	Revenue for the Three Months Ended					
	February 22, 2020			February 23, 2019		
North America	$	138,819	82.6 %	$	146,817	81.8 %
Europe		18,031	10.7		20,911	11.6
Asia Pacific		11,202	6.7		11,770	6.6
Total	$	168,052	100 %	$	179,498	100.0 %

North America revenue decreased $8.0 million, or 5.4% in the third quarter of fiscal 2020 compared to prior year quarter. The decrease primarily reflected the impact of additional holidays in the U.S. (third quarter of fiscal 2020 included Thanksgiving holidays and reflected the mid-week timing of Christmas and New Year's Day), offset by $5.4 million of revenue attributable to Veracity. Europe revenue decreased $2.9 million, or 13.8% in the third quarter of fiscal 2020 compared to prior year quarter as a result of lost revenue of $2.4 million from the exit from the Nordics and Belgium markets. Asia Pacific revenue declined by $0.6 million or 4.8% in the third quarter compared to prior year, reflecting the impact of an extended Lunar New Year's holiday coupled with the adverse impact from the COVID 19 outbreak in China at the beginning of 2020.

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the 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-U.S. 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-U.S. based operations, our translated revenue (and expenses) will be higher. Using the comparable fiscal 2019 third quarter conversion rates, international revenues would have been lower than reported under GAAP by approximately $5.0 million in the third quarter of fiscal 2020. Using these constant currency rates, which we believe provides a more comprehensive view of trends in our business, our revenue decreased in North America, Europe and Asia Pacific by 5.5%, 12.4% and 4.6% respectively, during the third quarter of fiscal 2020.

The number of consultants on assignment as of February 22, 2020 was 2,894 compared to 3,059 consultants engaged as of February 23, 2019. We operated 72 (23 abroad) offices as of February 22, 2020 and 73 (26 abroad) as of February 23, 2019.

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 we provide or that future results can be reliably predicted by considering past trends.

Direct Cost of Services. Direct cost of services decreased $5.0 million, or 4.4%, to $106.6 million for the three months ended February 22, 2020 from $111.6 million for the three months ended February 23, 2019. The decrease in the amount of direct cost of services between periods was primarily attributable to a decrease of 6.4% in the number of hours worked, partially offset by an increase of 1.6% in the average pay rate per hour between the two quarters.

Direct cost of services as a percentage of revenue was 63.5% and 62.2% for the three months ended February 22, 2020 and February 23, 2019, respectively. The direct cost of services as a percentage of revenue increased in the third quarter of fiscal 2020 compared to prior year quarter primarily due to an increase in holiday pay for consultants in the U.S. (third quarter of fiscal 2020 included Thanksgiving holidays as well as more holidays taken as a result of the mid-week timing of Christmas and New Year's Day holidays). The Company's bill/pay ratio was slightly lower in the third quarter of fiscal 2020 compared to prior year quarter.

Our target direct cost of services percentage is 60% in all markets.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") as a percentage of revenue was 32.9% and 31.0% for the three months ended February 22, 2020 and February 23, 2019, respectively. SG&A was $55.3 million for the third quarter of fiscal 2020 and $55.6 million for the comparable prior year period. The year-over-year decrease is primarily attributable to: (1) a $0.8 million decrease in incentive compensation as a result of the lower revenue in third quarter of fiscal 2020, (2) a $0.5 million decrease in stock compensation, (3) a $0.5 decrease in expenses relating contingent consideration, and (4) a decrease of $0.8 million related to occupancy and office related expenses, partially offset by $2.2 million in additional payroll and benefit costs due to additional headcount related to project delivery and digital transformation efforts, including Veracity.

Management and administrative headcount was 992 at the end of the third quarter of fiscal 2020 and 915 at the end of the third quarter of fiscal 2019.

Sequential Operations. On a sequential quarter basis, fiscal 2020 third quarter revenues decreased approximately 8.9% (9.1% constant currency), from $184.5 million to $168.1 million. The decrease in third quarter revenue primarily reflects the impact of additional holidays in the U.S. (third quarter of fiscal 2020 included Thanksgiving, Christmas and New Year's Day while the second quarter of fiscal 2020 included only Labor Day) and Europe (Christmas and New Year's Day in third quarter of fiscal 2020), and the impact of an extended Lunar New Year's holiday and COVID 19 in Asia Pacific, resulting in a 9.3% decrease in hours worked. The Company's sequential revenue decreased in North America, Europe and Asia Pacific by 8.9%, 6.9% and 11.9%, respectively. On a constant currency basis, using the comparable second quarter fiscal 2020 conversion rates, sequential revenue decreased in North America (9.0%), Europe (7.9%) and Asia Pacific (12.0%).

Direct cost of services as a percentage of revenue was 63.5% and 59.7% in the third quarter of fiscal 2020 and the second quarter of fiscal 2020, respectively. The increase in the direct cost of services percentage in the third quarter of 2020 is primarily due to an increase in holiday pay for consultants in the U.S. (third quarter of fiscal 2020 included Thanksgiving, Christmas and New Year's Day while the second quarter included only Labor Day) as well as higher payroll taxes during the early months of a new calendar year.

SG&A as a percentage of revenue was 32.9% for the third quarter of fiscal 2020 compared to 29.1% for the second quarter of fiscal 2020. SG&A in the third quarter increased $1.5 million to $55.3 million from $53.8 million in the previous quarter. The primary reasons for the increase were: (1) a $1.1 million increase in payroll taxes as we transition into a new calendar year in the third quarter (2) a $0.4 million increase in bad debt expense, (3) a $0.3 million increase in self medical insurance, and (4) a $0.4 million increase in software expense, partially offset by $0.7 million increase in a benefit relating to contingent consideration to Veracity.

Amortization and Depreciation Expense. Amortization of intangible assets was $1.5 million and $0.9 million in the third quarter of fiscal 2020 and fiscal 2019, respectively. The increase in amortization expense is primarily due to the amortization of identifiable intangible assets acquired from Veracity during the first quarter of fiscal 2020.

Depreciation expense was $1.1 million and $1.2 million in the third quarter of fiscal 2020 and fiscal 2019, respectively.

Interest Expense. Interest expense was approximately $0.5 million and $0.6 million in the third quarter of fiscal 2020 and fiscal 2019, respectively.

Income Taxes. The Company's provision for income taxes was a ($4.0) million benefit (effective tax rate of approximately (135%)) for the three months ended February 22, 2020 compared to an income tax expense of $3.8 million (effective tax rate of approximately 40%) for the three months ended February 23, 2019. The Company records tax expense based upon actual results versus a forecasted tax rate because of the volatility in its international operations that span numerous tax jurisdictions.

The (benefit) provision for income taxes in the three months ended February 22, 2020 and February 23, 2019 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 income tax benefit for the third quarter of fiscal 2020 compared to the income tax expense for the prior year quarter was primarily due to a worthless stock deduction related to our investment in wholly owned subsidiaries as well as lower operating results compared to the prior year period. During the third quarter of fiscal 2020, after analyzing the facts and circumstances, we determined to no longer invest in the Belgium, Luxembourg and the Nordics markets (which includes Sweden and Norway). Based on this analysis, we recorded a tax benefit for the worthless stock loss of our investment in and worthless loans to these wholly owned entities. We have maintained a permanent investment position and, therefore, have not previously recorded a deferred tax asset for the basis differences of these entities. The financial results of these entities have created an excess of tax basis over the book basis in which the worthless stock that will be deducted for income tax purposes is approximately $25.8 million, resulting in an estimated net tax benefit of $6.6 million. We analyzed these transactions and determined that these worthless stock deductions qualify as ordinary losses. In addition, we took a deduction relating to worthless loans of approximately $4.5 million which is also treated as an ordinary loss, resulting in a net tax benefit of $0.7 million after the offset of the estimated global intangible low-taxed income ("GILTI") tax. While we believe this is a proper income tax deduction, the deduction may be subject to examination by tax authorities and thus, we determined that an uncertain tax position existed. Accordingly, we fully reserved for the net tax benefit associated with the worthless loan deduction. The reserve includes the effect of offsetting the federal and state benefit, netted with the estimated GILTI tax increase.

The Company recognized a net tax expense of approximately of $0.7 million and $0.2 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the Company's Employee Stock Purchase Plan ("ESPP") during the three months ended February 22, 2020 and February 23, 2019, respectively. The net tax expense results from expiring stock options during these periods.

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 U.S. statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying incentive stock options exercise.

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 of our Annual Report on Form 10-K for the year ended May 25, 2019. Due to these and other factors, we believe quarter-to-quarter comparisons of our results of operations may not be meaningful indicators of future performance.

Nine Months Ended February 22, 2020 Compared to Nine Months Ended February 23, 2019

Percentage change computations are based upon amounts in thousands.

Revenue. Revenue decreased $22.1 million, or 4.0%, to $524.8 million for the nine months ended February 22, 2020 from $546.9 million for the nine months ended February 23, 2019. On a constant currency basis, revenue decreased 3.7%. See discussion below for revenue trends in each geographic region.

As presented in the table below, revenue decreased in the first nine months of fiscal 2020 compared to the same period of fiscal 2019 in North America and Europe while revenue increased in Asia Pacific (dollars in thousands):

	Revenue for the Nine Months Ended			
	February 22, 2020		February 23, 2019	
North America	$ 431,617	82.3 %	$ 446,811	81.7 %
Europe	56,163	10.7	64,758	11.8
Asia Pacific	37,004	7.0	35,286	6.5
Total	$ 524,784	100.0 %	$ 546,855	100.0 %

North America revenue decreased $15.2 million, or 3.4% in the nine months ended February 22, 2020 compared to prior year. The decrease primarily reflected the wind-down of technical accounting implementation projects, partially offset by $12.6 million of revenue attributable to Veracity. Europe revenue decreased $8.6 million, or 13.3% in the nine months ended February 22, 2020 compared to prior year as a result of lost revenue of $7.3 million from the exit from the Nordics and Belgium markets. Asia Pacific revenue increased by $1.7 million, or 4.9% in the nine months ended February 22, 2020 compared to prior year, reflecting growth in markets such as Japan and India due to the large multi-national client base, partially offset by the adverse impact from the COVID 19 outbreak in China at the beginning of 2020 as well as the political protests in Hong Kong.

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the 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-U.S. 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-U.S. based operations, our translated revenue (and expenses) will be higher. Using the comparable fiscal 2019 conversion rates, international revenues would have been lower than reported under GAAP by approximately $9.9 million in the first nine months of fiscal 2020. Using these constant currency rates, which we believe provides a more comprehensive view of trends in our business, our revenue decreased in North America and Europe by 3.4% and 10.5%, respectively, and increased in Asia Pacific by 5.2% during the first nine months of fiscal 2020.

Direct Cost of Services. Direct cost of services decreased $15.9 million, or 4.7%, to $321.5 million for the nine months ended February 22, 2020 from $337.4 million for the nine months ended February 23, 2019. The decrease in the amount of direct cost of services between periods was primarily attributable to a decrease of 3.5% in the number of hours worked as well as a decrease of 1.1% in the average pay rate per hour between the two periods.

Direct cost of services as a percentage of revenue was 61.3% and 61.7% for the nine months ended February 22, 2020 and February 23, 2019, respectively.

Our target direct cost of services percentage is 60% in all our markets.

Selling, General and Administrative Expenses. SG&A as a percentage of revenue was 31.6% and 30.5% for the nine months ended February 22, 2020 and February 23, 2019, respectively. SG&A was $166.0 million for the first nine months of fiscal 2020 and $166.9 million for the comparable prior year period. The year-over-year decrease is primarily attributable to: (1) a decrease of $4.1 million in incentive compensation expense as a result of the decrease in revenue during the first nine months of fiscal 2020, (2) a decrease of $1.6 million in transformation and system implementation costs, (3) a decrease of $1.4 million in business expenses as management continues to closely manage discretionary spend, and (4) a decrease of $1.1 million in rent expense, partially offset by an increase of $6.5 million in payroll and benefits due to additional headcount related to project delivery and digital transformation efforts, including Veracity and $0.6 million of acquisition costs in the first half of fiscal 2020.

Amortization and Depreciation Expense. Amortization of intangible assets was $4.2 million and $2.9 million in the first nine months of fiscal 2020 and fiscal 2019, respectively. The increase in amortization expense is primarily due to the amortization of identifiable intangible assets acquired during the first quarter of fiscal 2020 from Veracity.

Depreciation expense was $3.9 million and $3.4 million in the first nine months of fiscal 2020 and fiscal 2019, respectively.

Interest Expense. Interest expense for the first nine months of fiscal 2020 was approximately $1.5 million compared to $1.7 million in the same period of fiscal 2019.

Income Taxes. Our provision for income taxes was $4.0 million (effective tax rate of approximately 14%) and $12.5 million (effective tax rate of approximately 36%) for the nine months ended February 22, 2020 and February 23, 2019, respectively. We record tax expense based upon actual results 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 nine months ended February 22, 2020 and February 23, 2019 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 provision for income taxes decreased for the nine months ended February 22, 2020 compared to the prior year quarter primarily because of the worthless stock deduction and lower operating results. See discussion on worthless stock deduction under the “Three Months Ended February 22, 2020 Compared to Three Months Ended February 23, 2019” section**.**

The Company recognized a tax expense of approximately breakeven and $0.2 million related to stock-based compensation for nonqualified stock options expensed and for disqualifying dispositions under the ESPP during the first nine months of fiscal 2020 and fiscal 2019, respectively. The net tax expense results from expiring stock option during these periods.

Periodically, we review the components of both book and taxable income to analyze the adequacy of the tax provision. There can be no assurance that our effective tax rate will remain constant in the future because of the lower benefit from the U.S. statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying incentive stock options exercises.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by our operations, our $120 million secured revolving credit facility ("Facility") with Bank of America and, historically, to a lesser extent, stock option exercises and ESPP purchases. We have generated annual positive cash flows from operations since inception. Our ability to generate positive cash flow from operations in the future will be, at least in part, dependent on continued stable global economic conditions. In March 2020, the World Health Organization characterized the novel COVID-19 virus as a global pandemic. There is significant uncertainty as to the likely effects of this pandemic on the global economy which in turn may, among other things, impact our ability to generate positive cash flows from operations and our ability to successfully execute and fund key initiatives such as the restructuring plan (see Note 13 – *Subsequent Events* in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q). As of February 22, 2020, the Company had $35.9 million of cash and cash equivalents including $28.3 million held in international operations.

In October 2016, we entered into the Facility which is available for working capital and general corporate purposes, including potential acquisitions and stock repurchases. The Facility allows us to choose the interest rate applicable to advances. Borrowings under the Facility bear interest at a rate per annum of either, at the Company's option, (i) LIBOR 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 our 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. Additional information regarding the Facility is included in Note 7 — *Long Term Debt* in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

As of February 22, 2020, we had borrowings of $49.0 million under the Facility and directed Bank of America to issue approximately $1.5 million of outstanding letters of credit for the benefit of third parties related to operating leases and guarantees. We had $39.5 million remaining to borrow under the Revolving Loan and $30.0 million remaining under the Reducing Revolving Loan as of February 22, 2020. As of February 22, 2020, the Company was compliant with the financial covenants in the Facility.

Subsequent to the third quarter of fiscal 2020, as events relating to COVID-19 continued to develop globally and impact the capital markets, our liquidity could be adversely impacted due to possible deterioration in our clients' financial condition and their ability to timely pay outstanding receivables owed to us. In March 2020, in an abundance of caution, we borrowed $39.0 million on the Facility to provide substantial additional liquidity to manage our business in light of the impact of COVID-19 on the global economy and our business.

Our ongoing operations and growth strategy may require us to continue to make investments in critical markets and in systems and technology. 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, increase use of our Facility or raise additional debt. In addition, if we decide to make 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.

Operating Activities

Operating activities for the nine months ended February 22, 2020 provided cash of $21.6 million compared to $13.5 million for the nine months ended February 23, 2019. Cash provided by operations in the first nine months of fiscal 2020 resulted from net income of $24.2 million and non-cash items of $13.5 million. These amounts were partially offset by a net decrease in operating assets and liabilities of $16.1 million primarily due to a decrease in accrued salaries and related obligations. In the first nine months of fiscal 2019, cash provided by operations resulted from net income of $22.1 million and non-cash items of $17.4 million, partially offset by an net unfavorable changes in operating assets and liabilities of $26.0 million primarily related to an increase in accounts receivable and accrued salaries and related obligations.

Investing Activities

Net cash used in investing activities was $26.5 million for the first nine months of fiscal 2020, compared to $5.9 million in the comparable prior year period. The Company used $30.3 million of cash (net of cash acquired) to acquire Veracity. There were no acquisitions in the first nine months of fiscal 2019. In the first nine months of fiscal 2020, we redeemed short-term investments of $6.0 million and purchased $3.9 million less property and equipment compared to the first nine months of fiscal 2019.

Financing Activities

The primary sources of cash in financing activities are borrowings under the Company's revolving credit facility, cash proceeds from the exercise of employee stock options and proceeds from issuance of the ESPP. The primary uses of cash in financing activities are repayments under the Facility, repurchases of the Company's common stocks and cash dividend payments to the shareholders.

Net cash used in financing activities totaled $1.8 million for the nine months ended February 22, 2020 compared to a use of cash of $15.6 million during the nine months ended February 23, 2019. Net cash used in financing activities during the nine months ended February 22, 2020 consisted of $10.3 million of proceeds from employee stock option exercises and purchases of shares under ESPP, $35.0 million of borrowings to finance the acquisition of Veracity, partially offset by principal repayments of $29.0 million under the revolving credit facility, $5.0 million to purchase approximately 318,000 shares of common stock on the open market and $13.1 million of cash dividend payments.

Net cash used in financing activities during the nine months ended February 23, 2019 consisted of $22.3 million of cash paid to repurchase the Company's own common stock, principal repayment of $5.0 million under the revolving credit facility and $12.0 million of cash dividend payments, partially offset by $23.6 million of proceeds from employee stock option exercises and purchases of shares under ESPP.

The increase in dividends paid was due to an increase in dividends declared per share from $0.13 per share to $0.14 per share beginning in fiscal 2020.

As described in Note 3 — *Acquisitions and Dispositions*, in the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, the purchase agreements for Veracity and Expertence require earn-out payments to be made. The Company estimated the fair value of the obligation to pay contingent consideration based on a number of different projections of the estimated EBITDA and estimated revenue. The estimated fair value of the contingent consideration as of February 22, 2020 was $5.9 million.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 2 — *Summary of Significant Accounting Policies* in the Notes to 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 February 22, 2020, we had approximately $35.9 million of cash and cash equivalents and $49.0 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) LIBOR 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 borrowing as of February 22, 2020 of $49.0 million, a 10% change in interest rates would have resulted in approximately a $0.2 million change in annual interest expense.

Foreign Currency Exchange Rate Risk. For the three months ended February 22, 2020, approximately 19.0% of the Company's revenues were generated outside of the U.S. As a result, our operating results are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Thus, as the value of the U.S. dollar fluctuates relative to the currencies in our non-U.S. based operations, our reported results may vary.

Assets and liabilities of our non-U.S. based operations are translated into U.S. dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 21% of our balances of cash and cash equivalents as of February 22, 2020 were denominated in U.S. dollars. The remaining amount of approximately 79% was comprised primarily of cash balances translated from Euros, Mexican Pesos, British Pound Sterling, Japanese Yen, Canadian Dollar and Chinese Yuan. The difference resulting from the translation each period of assets and liabilities of our non-U.S. based operations is recorded as a component of stockholders' equity in other 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 February 22, 2020. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of February 22, 2020. There was no change in the Company's internal control over financial reporting, as such term is defined in Rule 13a-15(f) promulgated under the Exchange Act, during the Company's quarter ended February 22, 2020 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS.*

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

ITEM 1A. *RISK FACTORS*.

Our business is subject to risks arising from epidemic diseases, such as the recent outbreak of the COVID-19 illness.

The recent outbreak of COVID-19, which has been declared by the World Health Organization to be a pandemic, has spread across the globe and is impacting worldwide economic activity. A pandemic, including COVID-19, or other public health epidemic poses the risk that we or our employees and other partners may be prevented from conducting business activities at full capacity for an indefinite period of time, including due to spread of the disease within these groups or due to shutdowns that are requested or mandated by governmental authorities. While it is not possible at this time to estimate the impact that COVID-19 could have on our business, the continued spread of COVID-19 and the measures taken by the governments of countries affected and in which we operate may, among other things, reduce demand for or delay client decisions to procure our services and, as a result, could adversely affect our operating results and financial condition. For example, after the January 2020 outbreak of the virus in China, many businesses in China extended their Chinese New Year holiday shut down by approximately one to two weeks due to government restrictions to close and to restrict certain travel within the country. Our practices based in China and other parts of Asia adopted virtual methods of working in order to ensure business continuity for both our clients and the Company. Nevertheless, the events relating to COVID-19 had an adverse impact on our business in Asia Pacific during the quarter ended February 22, 2020. Subsequent to the third quarter of fiscal 2020, as events relating to COVID-19 continue to develop globally, including in the U.S., and impact the capital markets, the Company's results of operations, cash flows and financial condition could be adversely impacted due to a reduction in demand, delay of client decisions to procure our services or possible deterioration in our clients' financial condition and their ability to timely pay outstanding receivables owed to us. Furthermore, we have experienced declines in the market price of our stock subsequent to the end of the third quarter. If there are further decreases in our stock price for a sustained period or other unfavorable factors, we may be required to perform a goodwill impairment assessment, which may result in a recognition of goodwill impairment that could be material to the Consolidated Financial Statements.

In addition, we have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for our employees, and discouraging employee attendance at in-person work-related meetings, which could negatively affect our business. The extent to which the COVID-19 outbreak impacts our results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact. While not yet quantifiable, management expects this situation will have an adverse impact to our operating results in the fourth quarter of fiscal 2020 and continues to assess the financial impact for the upcoming fiscal year.

Other than the above risk factor relating to COVID-19, 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 25, 2019, which was filed with the Securities and Exchange Commission on July 19, 2019. See "Risk Factors" in such Annual Report on Form 10-K for a complete description of the material risks we face.

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

The following table provides information about purchases by the Company of its common stock for the three months ended February 22, 2020. All shares were repurchased pursuant to the July 2015 program.

Period	**Total Number of Shares Purchased**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Announced Programs (1)**		**Approximate Dollar Value of Shares that May Yet be Purchased Under Announced Program**
November 24, 2019— December 21, 2019	-	$	-	-	$	90,096,548
December 22, 2019 — January 18, 2020	-	$	-	-	$	90,096,548
January 19, 2020 — February 22, 2020	318,430	$	15.70	318,430	$	90,096,548
Total November 24, 2019 — February 22, 2020	318,430	$	15.70	318,430	$	85,096,561

(1) In July 2015, our board of directors approved a stock repurchase program (the "July 2015 program"), authorizing the purchase, at the discretion of our 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

ITEM 5. ***OTHER INFORMATION.***

Restructuring Initiative

On February 27, 2020, management and our board of directors committed to a restructuring plan to reduce approximately 7.5% of our management and administrative workforce and consolidate our geographic presence to certain key markets. The restructuring plan was designed to streamline the Company's organizational structure, reduce operating costs and more effectively align resources to business priorities. The majority of employees impacted by the reduction in force are expected to exit before the end of fiscal 2020, with the remainder exiting in the first quarter of fiscal 2021. Based on management's rationalization of its real estate footprint, a plan was put in place to terminate or sublet 26% of its real estate leases by the end of fiscal 2021.

We carried out a reduction in force in early March, whereby we eliminated 73 positions in North America and Asia Pacific. We expect to take a restructuring charge of $4 million to $5 million relating to employee termination costs over the fourth quarter of fiscal 2020 and first quarter of fiscal 2021. Upon completion of the reduction in force, we expect annual pre-tax savings of $13 million to $15 million with respect to personnel costs. In fiscal 2021, after the impact of COVID-19 is clearer, we may reinvest a limited amount of those personnel savings in the business to drive forward certain growth initiatives in core markets and digital capabilities

With respect to our plan to restructure real estate leases, we expect to incur approximately $1 million of lease termination costs and other costs associated with exiting the facilities in the fourth quarter of fiscal 2020. Additional restructuring charges are expected through fiscal 2021 as we continue to execute the plan to exit the real estate leases. Exact amount and timing of the restructuring charge will depend on a number of variables including market conditions.

Borrowings under Credit Facility

From time to time, we will use available credit lines to meet our financial obligations and to satisfy working capital requirements for our business. Due to the uncertainty caused by the COVID-19 pandemic, in March 2020, in an abundance of caution, we borrowed $39.0 million under the Credit Facility to provide substantial additional liquidity to manage our business in light of the impact of COVID-19 on the global economy and our business.

ITEM 6. *EXHIBITS.*

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

EXHIBIT INDEX

Exhibit Number	Description of Document
10.1	Employment Agreement dated February 3, 2020 between Jennifer Ryu and the Company (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed by Resources Connection, Inc. on February 4, 2020).
10.2	Employment Agreement dated February 3, 2020 between Kate W. Duchene and the Company (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed by Resources Connection, Inc. on February 4, 2020).
10.3	Employment Agreement dated February 21, 2020 between Tim Brackney and the Company.
10.4	Retention Bonus Recovery Agreement dated February 21, 2020 between Tim Brackney and the Company.
31.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation.
101.DEF*	XBRL Taxonomy Extension Definition.
101.LAB*	XBRL Taxonomy Extension Labels.
101.PRE*	XBRL Taxonomy Extension Presentation.

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

RESOURCES CONNECTION, INC.

Date: April 2, 2020

/s/ Kate W. Duchene

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

Date: April 2, 2020

/s/ Jennifer Ryu

Jennifer Ryu
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

This Employment Agreement (this **"Agreement"**) is made as of February 21, 2020, between Tim Brackney (**"Executive"**) and Resources Connection, Inc. (the **"Company"**).

RECITALS

WHEREAS, the Company desires to extend its right to the services of Executive in the capacities described below, on the terms and conditions hereinafter set forth, and Executive is willing to accept such employment on such terms and conditions.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, the parties agree as follows:

1. RETENTION

The Company does hereby hire, engage, and employ Executive as President & Chief Operating Officer, of the Company during the Period of Employment (as defined in Section 3), and Executive does hereby accept and agree to an extended term of employment on the terms and conditions expressly set forth in this Agreement. As of the Effective Date (as defined below), this Agreement supersedes and replaces, in its entirety, the prior Employment Agreement that Executive entered into with the Company dated April 3, 2019.

2. DUTIES

(a) During the Period of Employment (as defined in Section 3), Executive shall serve the Company in such position fully, diligently, competently, and in conformity with the provisions of this Agreement, directives of the Chief Executive Officer and the Board of Directors of the Company (the "**Board**"), and the corporate policies of the Company as they presently exist, and as such policies may be amended, modified, changed, or adopted during the Period of Employment. In this position, Executive shall report to the Chief Executive Officer. If requested by the Company, Executive shall also serve as a member of the Board and any Board committees without additional compensation.

(b) Throughout the Period of Employment, Executive shall devote his full business time, energy, and skill to the performance of his duties for the Company, vacations and other leave authorized under this Agreement excepted. The foregoing notwithstanding, Executive shall be permitted to (i) engage in charitable and community affairs, and (ii) to make investments of any character in any business or businesses and to manage such investments (but not be involved in the day-to-day operations of any such business); provided, in each case, and in the aggregate, that such activities do not interfere with the performance of Executive's duties hereunder or conflict with the provisions of Sections 14 and 15, and further provided that Executive shall not serve as a director of any other publicly traded entity without gaining the consent of the Chief Executive Officer and the Corporate Governance and Nominating Committee of the Board prior to the commencement of such service.

(c) Executive shall exercise due diligence and care in the performance of his duties for and the fulfillment of his obligations to the Company under this Agreement.

(d) During the Period of Employment, the Company shall furnish Executive with office, secretarial and other facilities and services as are reasonably necessary or appropriate for the performance of Executive's duties hereunder and consistent with his position as a President & Chief Operating Officer of the Company.

(e) Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment or other agreement or policy to which Executive is a party or otherwise bound.

3. PERIOD OF EMPLOYMENT

The "**Period of Employment**" shall, unless sooner terminated as provided herein, be three (3) years commencing on February 21, 2020 (the **"Effective Date"**) and ending with the close of business on February 20, 2023. Notwithstanding the preceding sentence, commencing with February 21, 2023, and on each February 21 **thereafter** (each an "**Extension Date**"), the Period of Employment shall be automatically extended for an additional one-year period, unless the Company or Executive provides the other party hereto sixty (60) days' prior written notice before the next scheduled Extension Date that the Period of Employment shall not be so extended (the "**Non-Extension Notice**"). The term "Period of Employment" shall include any extension that becomes applicable pursuant to the preceding sentence. In all cases, the Period of Employment is subject to termination pursuant to Sections 6, 7 and 8 below.

4. COMPENSATION

(a) BASE SALARY. During the Period of Employment, the Company shall pay Executive, and Executive agrees to accept from the Company, in payment for his services, a base salary of five hundred thousand dollars ($500,000) per year ("**Base Salary**"), payable in accordance with the Company's general payroll practices in effect from time to time (but in no event less frequently than in monthly installments). The determination of whether Executive's Base Salary will be upwardly adjusted is within the sole and absolute discretion of the Chief Executive Officer in consultation with the Board (or a committee of the Board).

(b) ANNUAL INCENTIVE COMPENSATION. During the Period of Employment, Executive shall be entitled to participate in any annual incentive or bonus plan or plans maintained by the Company for the executive officers of the Company generally, in accordance with the terms, conditions, and provisions of each such plan as the same may be changed, amended, or terminated, from time to time in the discretion of the Board, or its designated committee.

(c) EQUITY COMPENSATION. During the Period of Employment, Executive shall be eligible to receive grants of stock options, restricted stock, stock appreciation rights, or other equity compensation on such terms and conditions as determined from time to time in the discretion of the Board, or a designated committee thereof.

Upon (or as may be necessary to give effect to such acceleration, immediately prior to) the occurrence of an event described in Section 7.2 of the Company's 2004 or 2014 Performance Incentive Plan, as applicable, all of Executive's then-outstanding and otherwise unvested outstanding equity awards granted by the Company shall be deemed immediately vested, notwithstanding any other provision of the applicable plans or award documentation to the contrary.

5. BENEFITS

(a) HEALTH AND WELFARE. During the Period of Employment, Executive shall be entitled to participate in all health and welfare benefit plans and programs and all retirement, deferred compensation and similar plans and programs generally made available by the Company to all other executive officers of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(b) FRINGE BENEFITS. During the Period of Employment, Executive shall be entitled to participate in all fringe benefit plans and programs generally made available by the Company to all other executive officers of the Company as in effect from time to time, subject to any restrictions specified in such plans and programs.

(c) PERSONAL TIME OFF AND OTHER LEAVE. Executive shall be entitled to such amounts of paid personal time off and other leave, as from time to time may be allowed by the Company to the Company's executive officers generally or as approved by the Board specifically, or as required by law. Any personal time off is to be scheduled and taken in accordance with the Company's standard policies applicable to such personnel.

(d) BUSINESS EXPENSES. During the Period of Employment, reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder shall be reimbursed by the Company in accordance with the Company's business expense reimbursement policies as in effect from time to time. At the latest, reimbursement shall be made on or before the last day of Executive's taxable year following the taxable year in which the expense was incurred. Executive agrees to provide prompt documentation of such expenses in order to facilitate the timely reimbursement of same. The amount of expenses eligible for reimbursement during any taxable year of Executive shall not affect the expenses eligible for reimbursement in any other taxable year of Executive.

(e) AUTOMOBILE. To the extent provided to other executive officers of the Company, during the Period of Employment, Executive shall be entitled to receive an automobile allowance of $15,000 annually for expenses associated with the operation and maintenance of such automobile.

6. DEATH OR DISABILITY

(a) DEFINITION OF PERMANENTLY DISABLED AND PERMANENT DISABILITY. For purposes of this Agreement, the terms "**Permanently Disabled**" and "**Permanent Disability**" shall mean Executive's inability, because of physical or mental illness or injury, to perform substantially all of his customary duties pursuant to this Agreement, even with a reasonable accommodation, and the continuation of such disabled condition for a period of ninety (90) continuous days, or for not less than one hundred eighty (180) days during any continuous twenty-four (24) month period. Whether Executive is Permanently Disabled shall be certified to the Company by a Qualified Physician (as hereinafter defined). The determination of the individual Qualified Physician shall be binding and conclusive for all purposes. As used herein, the term "**Qualified Physician**" shall mean any medical doctor who is licensed to practice medicine in the State of Executive's residence. Executive and the Company may in any instance, and in lieu of a determination by a Qualified Physician, agree between themselves that Executive is Permanently Disabled. The terms "Permanent Disability" and "Permanently Disabled" as used herein may have meanings different from those used in any disability insurance policy or program maintained by Executive or the Company.

(b) VESTING ON DEATH OR DISABILITY. Upon any termination of the Period of Employment and Executive's employment hereunder by reason of Executive's death or Permanent Disability, as defined in Section 6(a), any then-outstanding and otherwise unvested stock options, restricted stock and any other equity or equity-based awards granted by the Company to the Executive shall thereupon automatically be deemed vested and remain exercisable for the lesser of three years or the term of the award, notwithstanding any other provision of this Agreement or applicable plans but subject to the Company's ability to terminate the awards in a change in control or similar circumstances pursuant to the applicable plan and award agreements.

(c) TERMINATION DUE TO DEATH OR DISABILITY. If Executive dies or becomes Permanently Disabled during the Period of Employment, the Period of Employment and Executive's employment shall automatically cease and terminate as of the date of Executive's death or the date of Permanent Disability (which date shall be determined by the Qualified Physician or by agreement, under Section 6(a) above, and referred to as the **"Disability Date"**), as the case may be. In the event of the termination of the Period of Employment and Executive's employment hereunder due to Executive's death or Permanent Disability, Executive or his estate shall be entitled to receive:

(i) a lump sum cash payment, payable within ten (10) business days after termination of Executive's employment, equal to the sum of (x) any accrued but unpaid Base Salary as of the date of Executive's termination of employment hereunder, (y) one times his then current base salary and (z) any earned but unpaid annual incentive compensation in respect of the most recently completed fiscal year preceding Executive's termination of employment hereunder (the "**Earned/Unpaid Annual Bonus**"); and

(ii) a pro-rated portion of the target annual incentive compensation, if any, that Executive would have been entitled to receive pursuant to Section 4(b) in respect of the fiscal year in which termination of Executive's employment occurs, based upon the percentage of such fiscal year that shall have elapsed through the date of Executive's termination of employment, payable when such annual incentive would otherwise have been payable had Executive's employment not terminated.

Notwithstanding any other provision of this Agreement, following such termination of Executive's employment due to Executive's death or Permanent Disability, except as set forth in Sections 6(b) and 6(c), and except for Executive's rights (if any) under the plans, arrangements and programs referenced in Sections 4(b), 4(c) and 5, Executive shall have no further rights to any compensation or other benefits under this Agreement.

In the event Executive's employment is terminated on account of Executive's Permanent Disability, he shall, so long as his Permanent Disability continues, remain eligible for all benefits provided under any long-term disability programs of the Company in effect at the time of such termination, subject to the terms and conditions of any such programs, as the same may be changed, modified, or terminated for or with respect to all executive officers of the Company.

7. TERMINATION BY THE COMPANY

(a) TERMINATION FOR CAUSE. The Company may, by providing written notice to Executive, terminate the Period of Employment and Executive's employment hereunder for Cause at any time. The term "**Cause**" for purpose of this Agreement shall mean:

(i) Executive's conviction of or entrance of a plea of guilty or nolo contendere to a felony; or

(ii) Executive is engaging or has engaged in material fraud, material dishonesty, or another act of willful misconduct in connection with the business affairs of the Company; or

(iii) Conviction of criminal theft, embezzlement, or other criminal misappropriation of funds by Executive from the Company; or

(iv) Executive's continued and substantial failure to perform the duties hereunder (other than as a result of total or partial incapacity due to physical illness), which failure is not cured within thirty (30) days following written notice by the Company to Executive of such failure; provided, however, that (A) it shall not be Cause if Executive is making good faith efforts to perform duties and (B) this provision shall not apply to any qualitative dissatisfaction by the Company with Executive's performance of his duties hereunder; or

(v) Executive's continued breach of the provisions of Sections 14 and/or 15 of this Agreement, or any material breach by Executive of any other agreement Executive has with the Company or Company policy that applies to Executive, which breach, if capable of being cured, is not cured within thirty (30) days following written notice by the Company to Executive of such breach.

If Executive's employment is terminated for Cause, the termination shall take effect on the effective date (pursuant to Section 27) of written notice of such termination to Executive. A determination by the Board that Cause exists shall be effective only if approved at a Board meeting (in person or telephonic) by at least a majority of the Board (not counting the Executive if he is then a member of the Board). The Executive is entitled to be present (with counsel) at such meeting and respond to any basis that may be asserted as constituting Cause (a summary of which shall be supplied to the Executive in writing at least ten (10) days before any such meeting).

In the event of the termination of the Period of Employment and Executive's employment hereunder due to a termination by the Company for Cause, then Executive shall be entitled to receive: (i) a lump sum cash payment, payable within ten (10) business days after termination of Executive's employment equal to the sum of (A) accrued but unpaid Base Salary as of the date of termination of Executive's employment hereunder (including any accrued but unpaid personal time off) and (B) any Earned/Unpaid Annual Bonus in respect of the most recently completed fiscal year preceding termination of Executive's employment hereunder.

Notwithstanding any other provision of this Agreement, following such termination of Executive's employment due to termination by the Company for Cause, except as set forth in this Section 7(a), Executive shall have no further rights to any compensation or other benefits under this Agreement.

If the Company attempts to terminate Executive's employment pursuant to this Section 7(a) and it is ultimately determined that the Company lacked Cause, in addition to any other non-contractual remedies Executive may have, the provisions of Section 7(b) shall apply and Executive shall be entitled to receive the payments called for by Section 7(b).

(b) TERMINATION WITHOUT CAUSE. The Company may, with or without reason, terminate the Period of Employment and Executive's employment hereunder without Cause at any time, by providing Executive written notice of such termination. In the event of the termination of the Period of Employment and Executive's employment hereunder due to a termination by the Company without Cause (other than due to Executive's death or Permanent Disability), then Executive shall be entitled to receive:

(i) a lump sum cash payment, payable within sixty (60) days after termination of Executive's employment equal to the sum of (A) any accrued but unpaid Base Salary as of the date of Executive's termination of employment hereunder (including any accrued but unpaid personal time off), (B) the Earned/Unpaid Annual Bonus, if any, and (C) an amount equal to two times then current Base Salary and target incentive compensation;

(ii) any remaining unvested stock options, restricted stock and any other equity or equity-based awards granted by the Company to the Executive shall thereupon automatically be deemed vested and remain exercisable for the duration of the term of such award, notwithstanding any other provision of this Agreement or applicable plans (but subject to the Company's ability to terminate the awards in a change in control or similar circumstances pursuant to the applicable plan and award agreements); and

(iii) continued participation in the Company's group health insurance plans, if currently offered, or a lump sum payment to procure substantially similar health care coverage on a public or private exchange until the earlier of (A) the expiration of the twenty four (24) months from the effective date of termination or (B) Executive's eligibility for financial support in a group health plan of a subsequent employer or entity for which Executive provides consulting services;

provided, however, that the amount otherwise payable to Executive pursuant to Section 7(b)(i)(C) shall be reduced by the amount of any cash severance or termination benefits paid to Executive under any other severance plan, severance program or severance arrangement of the Company and its affiliates (but not reduced by any other payment to Executive whatsoever, including (without limitation) any payment by the Company or any affiliate of the Company in consideration of stock or any other property).

Notwithstanding any other provision of this Agreement, following such termination of Executive's employment due to termination by the Company without Cause, except as set forth in this Section 7(b), Executive shall have no further rights to any compensation or other benefits under this Agreement.

As a condition precedent to any Company obligation to the Executive pursuant to this Section 7(b), (other than with respect to any accrued but unpaid Base Salary as of the date of Executive's termination of employment hereunder (including any accrued but unpaid personal time off) and the Earned/Unpaid Annual Bonus, if any, which for the avoidance of doubt shall be promptly paid to the Executive following termination), the Executive shall, upon or promptly (and in all events within twenty-one (21) days unless a forty-five (45) day period is required under applicable law, in which case the period shall be forty-five (45) days) following his last day of employment with the Company, provide the Company with a valid, executed, written release of claims in a form provided by the Company and such release shall have not been revoked by the Executive pursuant to any revocation rights afforded by applicable law. The Company shall have no obligation to make any payment to the Executive pursuant to Section 7(b) unless and until the release contemplated by this Section 7(b) becomes irrevocable by the Executive in accordance with all applicable laws, rules and regulations. If the maximum period of time in which Executive has to consider and revoke such release spans two different calendar years, payment of the applicable benefits shall (to the extent required in order to avoid any tax, penalty or interest under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**")) be made in the second of those two years.

8. TERMINATION BY EXECUTIVE

(a) TERMINATION WITHOUT GOOD REASON. Executive shall have the right to terminate the Period of Employment and Executive's employment hereunder at any time without Good Reason (as defined below) upon thirty (30) days prior written notice of such termination to the Company. Any such termination by the Executive without Good Reason shall be treated for all purposes of this Agreement as a termination by the Company for Cause and the provisions of Section 7(a) shall apply.

(b) TERMINATION WITH GOOD REASON. The Executive may terminate the Period of Employment and resign from employment hereunder for "**Good Reason**" if any of the following occur without Executive's consent:

(i) if the Company fails to provide Executive with the compensation and benefits called for by this Agreement; or

(ii) if the Company materially diminishes Executive's authority, duties, responsibilities, or

(iii) if the Company materially breaches any provision of this Agreement;

provided, however, that none of the events described above shall constitute Good Reason unless Executive shall have notified the Company in writing describing the event(s) which constitute Good Reason within sixty (60) days of the initial existence of such event(s) and then only if the Company shall have failed to cure such event within thirty (30) days after the Company's receipt of such written notice; and provided, further, that in all events the termination of the Executive's employment with the Corporation shall not constitute a termination for Good Reason unless such termination occurs not more than one (1) year following the initial existence of the event(s) claimed to constitute Good Reason.

Any such termination by Executive for Good Reason shall be treated for all purposes of this Agreement as a termination by the Company without Cause and the provisions of Section 7(b) shall apply; provided, however, that if Good Reason exists because of a Change of Control as defined by Section 7.3 of the Company's 2004 and 2014 Performance Incentive Plans then the multiple in Section 7(b)(i)(C) increases to three times then current Base Salary and target incentive compensation. Further, if Executive attempts to resign for Good Reason pursuant to this Section 8(b) and it is ultimately determined that Good Reason did not exist, Executive shall be deemed to have resigned from employment without Good Reason and the provisions of Section 8(a) and, by reference therein, the provisions of Section 7(a), shall apply.

9. EXCLUSIVE REMEDY

Executive agrees that the payments contemplated by this Agreement shall constitute the exclusive and sole contract remedy for any termination of his employment and Executive covenants not to assert or pursue any other contractual remedies, at law or in equity, with respect to any termination of employment.

10. EXPIRATION OF PERIOD OF EMPLOYMENT

(a) ELECTION NOT TO EXTEND PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 3, unless Executive's employment is earlier terminated pursuant to Sections 6, 7 or 8, termination of Executive's employment hereunder shall be deemed to occur on the close of business on the day immediately preceding the anniversary of the next Extension Date following the delivery of the Non-Extension Notice pursuant to Section 3. If the Company elects not to extend the Period of Employment, Executive's termination will be treated for all purposes under this Agreement as a termination by the Company without Cause under Section 7(b). If Executive elects not to extend the Period of Employment, Executive's termination will be treated for all purposes under this Agreement as a termination by Executive without Good Reason under Section 8(a).

(b) CONTINUED EMPLOYMENT BEYOND EXPIRATION OF PERIOD OF EMPLOYMENT. If either party elects not to extend the Period of Employment pursuant to Section 3, but the parties want to continue Executive's employment without a written contract, such continued employment will be at will and shall not be deemed to extend any of the provisions of this Agreement. At such time, Executive's employment may thereafter be terminated at will by either Executive or the Company; provided, however, that the provisions of Sections 14, 15 and 16 shall survive any termination of this Agreement or Executive's termination of employment hereunder.

11. POSSIBLE BENEFIT REDUCTION

Notwithstanding anything else contained herein to the contrary, to the extent that any payment, distribution, transfer or other benefit of any type to or for Executive by the company or any of its parents, subsidiaries or other affiliates, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (including, without limitation, any accelerated vesting of stock options or other equity-based awards granted by the Company or any of its parents, subsidiaries or other affiliates pursuant to the Agreement or otherwise) (collectively, the "**Total Payments**") is or will be subject to the excise tax imposed under Section 4999 of the Code (the "**Excise Tax**"), then the Total Payments shall be reduced (but not below zero) so that the maximum amount of the Total Payments (after reduction) shall be one dollar ($1.00) less than the amount which would cause the Total Payments to be subject to the excise tax imposed by Section 4999 of the Code; provided that such reduction in Total Payments shall be made only if the reduction results in the receipt by Executive, on an after-tax basis, of a greater amount of Total Payments compared to the amount of Total Payments that Executive would receive, on an after-tax basis (for the purposes of clarity), taking into account Executive's payment of the Excise Tax and any similar taxes due from Executive, if he received the full amount of the Total Payments. If such a reduction is required, and unless Executive has otherwise notified the Company of the order in which benefits are to be reduced and such instructions from Executive do not result in any tax, penalty or interest pursuant to Section 409A of the Code, the Company shall reduce the Total Payments in the following order: (i) reduction of any cash severance; (ii) reduction of any accelerated vesting of equity awards other than stock options; (iii) reduction of accelerated vesting of stock options; and (iv) reduction of other Total Payments.

12. CONSISTENT TREATMENT

If compensation or benefits plans, programs or arrangements are offered to other executive officers of the Company generally, the Executive shall have the right to participate in such plans, programs and arrangement on a basis not less favorable to the Executive than the terms and conditions of such plans, programs and arrangements generally applicable to the other executive officers of the Company generally.

13. MEANS AND EFFECT OF TERMINATION

Any termination of Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination and shall set forth in reasonable detail the facts and circumstances alleged to provide a basis for termination, if any such basis is required by the applicable provision(s) of this Agreement.

14. RESTRICTIVE COVENANTS

Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(a) During the period of Executive's employment by the Company, Executive will not, directly or indirectly, (i) engage in any business for Executive's own account that competes with the business of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which Executive is aware of such planning), (ii) enter the employ of, or render any services to, any person engaged in any business that competes with the business of the Company or its affiliates, (iii) acquire a financial interest in any person engaged in any business that competes with the business of the Company or its affiliates, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee or consultant. During the period of Executive's employment by the Company and for a period of twelve (12) months thereafter (the "**Restricted Period**"), Executive will not, directly or indirectly, interfere with business relationships (whether formed before or after the date of this Agreement) between the Company or any of its affiliates and clients, customers, suppliers, partners, members or investors of the Company or its affiliates, except as he is entitled under applicable law.

(b) Notwithstanding anything to the contrary in this Agreement, Executive may, directly or indirectly, own, solely as an investment, securities of any person engaged in the business of the Company or its affiliates which are publicly traded on a national or regional stock exchange or on an over-the-counter market if Executive (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own five percent (5%) or more of any class of securities of such person.

(c) During the Restricted Period, Executive will not, directly or indirectly, solicit or encourage any employee or consultant of the Company or its affiliates to leave the employment of the Company or its affiliates.

(d) During the Restricted Period, given his access to and knowledge of the Company's proprietary and confidential information, client lists, business strategy and pricing, among other proprietary knowledge, Executive will not use or disclose confidential information to directly or indirectly solicit or encourage to cease to work with the Company or its affiliates any clients or potential clients of the Company or its affiliates.

(e) It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Section 14 to be reasonable, if a final determination is made by an arbitrator or court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any arbitrator or court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

(f) This Section 14 controls in the event of any conflict or inconsistency with any provision of the Confidentiality Agreement (as defined in Section 15(c)).

15. CONFIDENTIALITY.

(a) Executive will not at any time (whether during or after his employment with the Company), unless compelled by lawful process, disclose or use for his own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company and any of its subsidiaries or affiliates, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, manufacturing processes, financing methods, plans, or the business and affairs of the Company generally, or of any subsidiary or affiliate of the Company; provided that the foregoing shall not apply to information which is not unique to the Company or which is generally known to the industry or the public other than as a result of Executive's breach of this covenant.

(b) Executive agrees that upon termination of his employment with the Company for any reason, he will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of the Company and its affiliates, except that he may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. Executive further agrees that he will not retain or use for his account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of the Company or its affiliates.

(c) Executive executed a Confidentiality, Inventions and Non-Solicitation Agreement dated October 5, 2018 (the "**Confidentiality Agreement**"). Executive agrees that he has complied with the Confidentiality Agreement. The Confidentiality Agreement continues in effect in accordance with its terms, as modified by Sections 14 and 15(d) below.

(d) Nothing in this Agreement or in the Confidentiality Agreement limits Executive's right (i) to discuss the terms, wages, and working conditions of the Executive's employment to the extent permitted and/or protected by applicable labor laws, (ii) to report confidential information in a confidential manner either to a federal, state or local government official or to an attorney where such disclosure is solely for the purpose of reporting or investigating a suspected violation of law, or (iii) to disclose confidential information in an anti-retaliation lawsuit or other legal proceeding, so long as that disclosure or filing is made under seal and Executive does not otherwise disclose such confidential information, except pursuant to court order. The Company encourages Executive, to the extent legally permitted, to give the Company the earliest possible notice of any such report or disclosure. In addition, Executive may truthfully respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and shall assist such counsel in resisting or otherwise responding to such process. In addition, nothing in this Agreement or in the Confidentiality Agreement shall limit or restrict in any way the Executive's immunity from liability for disclosing the Company's trade secrets as specifically permitted by 18 U.S. Code Section 1833, which provides, in pertinent part, as follows:

> "(b) Immunity From Liability For Confidential Disclosure Of A Trade Secret To The Government Or In A Court Filing.
>
> (1) Immunity. An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.
>
> (2) Use of Trade Secret Information in Anti-Retaliation Lawsuit. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order."

This Section 15(d) controls in the event of any inconsistency or conflict with any other provision of this Agreement or of the Confidentiality Agreement.

16. SPECIFIC PERFORMANCE

Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 14 or Section 15 would be inadequate and, in recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

17. ASSIGNMENT

This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

18. GOVERNING LAW

This Agreement and the legal relations hereby created between the parties hereto shall be governed by and construed under and in accordance with the internal laws of the State of California, without regard to conflicts of laws principles thereof.

19. ENTIRE AGREEMENT

This Agreement embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior agreements of the parties hereto on the subject matter hereof. Any prior negotiations, correspondence, agreements, proposals, or understandings relating to the subject matter hereof shall be deemed to be merged into this Agreement and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as set forth herein. Notwithstanding the foregoing, this Agreement is not intended to modify or extinguish any rights or obligations contained in (i) the Confidentiality Agreement, (ii) any stock option, restricted stock or other equity or equity-based award agreement between Executive and the Company that was executed prior to the date hereof, other than as provided in Section 4(c) above, or (iii) any indemnification agreement between Executive and the Company prior to the date hereof.

20. POST-TERMINATION COOPERATION

Executive agrees that following the termination of his employment for any reason, he shall reasonably cooperate if and as requested by the Company at mutually convenient times in the orderly transition of his former duties and in the Company's defense against any threatened or pending litigation or in any investigation or proceeding by any governmental agency or body that relates to any events or actions which occurred during the term of Executive's employment with the Company. The Company shall reimburse Executive for reasonable expenses incurred by Executive in connection with such cooperation. Executive shall be compensated for his time at a mutually agreed upon rate for any services other than the provision of information to the Company or its counsel and/or testifying as a witness, which he shall undertake without any compensation.

21. MODIFICATIONS

This Agreement shall not be modified by any oral agreement, either express or implied, and all modifications hereof shall be in writing and signed by the parties hereto.

22. WAIVER

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

23. NUMBER AND GENDER

Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

24. SECTION HEADINGS

The section headings in this Agreement are for the purpose of convenience only and shall not limit or otherwise affect any of the terms hereof.

25. ATTORNEYS' FEES

Executive and the Company agree that in any action arising out of this Agreement, each side shall bear its own attorneys' fees and costs incurred by it or him in connection with such action.

26. SEVERABILITY

In the event that an arbitrator or court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, then only the portions of this Agreement which violate such statute or public policy shall be stricken, and all portions of this Agreement which do not violate any statute or public policy shall continue in full force and effect. Furthermore, any order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

27. NOTICES

All notices under this Agreement shall be in writing and shall be either personally delivered or mailed postage prepaid, by certified mail, return receipt requested:

(a) if to the Company:

Attn: General Counsel
17101 Armstrong Avenue
Irvine, CA 92614

(b) if to Executive, to the Executive at the Executive's last address reflected in the Company's payroll records.

Notice shall be effective when personally delivered, or five (5) business days after being so mailed. Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 27 for the giving of notice.

28. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties hereto reflected hereon as the signatories. Photographic or PDF copies of such signed counterparts may be used in lieu of the originals for any purpose.

29. WITHHOLDING TAXES

The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

30. SECTION 409A

(a) If the Executive is a “specified employee” within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive’s separation from service, the Executive shall not be entitled to any payment or benefit pursuant to Section 6, 7 or 8, as applicable, until the earlier of (i) the date which is six (6) months after the Executive’s separation from service for any reason other than death, or (ii) the date of the Executive’s death. The provision of this Section 30 shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Section 409A of the Code. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive’s separation from service that are not so paid by reason of this Section 30 shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive’s separation from service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive’s death).

(b) To the extent that any reimbursements pursuant to Section 5 are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall be paid to the Executive on or before the last day of the Executive’s taxable year following the taxable year in which the related expenses were incurred. The provision of benefits pursuant to Section 7(b)(iii) and reimbursements pursuant to Section 5 are not subject to liquidation or exchange for another benefits and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

(c) This Agreement is intended to comply with, and avoid any tax, penalty or interest under Section 409A of the Code, and shall be construed and interpreted accordingly. Except for the Company’s withholding right pursuant to Section 29, Executive shall be responsible for any and all taxes that may result from the compensation, payments and other benefits contemplated by this Agreement.

31. ARBITRATION

Any non time-barred, legally actionable dispute or controversy between the Company and Executive in any way arising out of, related to, or connected with Executive’s employment with or separation from the Company, will be submitted to final and binding arbitration pursuant to the Federal Arbitration Act (“**FAA**”), and to be held in a location that is no more than forty-five (45) miles from the place where Executive last worked for RGP (unless each party to the arbitration agrees in writing otherwise), and administered by Judicial Arbitration & Mediation Services, Inc. (“**JAMS**”), pursuant to its Arbitration Rules and Procedures for Arbitration Disputes (which may be found and reviewed at http://www.jamsadr.com/rules-employment-arbitration). The FAA will govern the enforceability, applicability, interpretation, and implementation of this provision and all procedural issues connected with conducting the arbitration and enforcing or appealing the arbitration award. The arbitration will be held before a sole arbitrator, selected by mutual agreement of the parties. If the parties are unable to agree on an arbitrator, the arbitrator will be selected by striking from a list of arbitrators supplied by JAMS. Any and all claims and/or defenses that would otherwise be available in a court of law will be fully available to the parties, and the Arbitrator will be required to apply legal principles with the same force and effect as if the dispute were adjudicated in a court of law. Final resolution of any dispute through arbitration must be consistent with applicable substantive law and may include any remedy or relief provided by applicable state or federal statutes. At the conclusion of the arbitration, the Arbitrator will issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction. Except where the Company is required by law to pay any costs unique to arbitration (e.g., arbitrator's fees and room fees), such cost/fee(s) will be apportioned between the parties in accordance with applicable law, and any disputes in that regard will be resolved by the Arbitrator. A party may apply to a court of competent jurisdiction for temporary or preliminary injunctive relief in connection with an arbitrable controversy, but only upon the ground that the award to which that party may be entitled may be rendered ineffectual without such provisional relief.

32. LEGAL COUNSEL; MUTUAL DRAFTING

Each party recognizes that this is a legally binding contract and acknowledges and agrees that they had had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language. Executive agrees and acknowledges that he has read and understands this Agreement, is entering into it freely and voluntarily and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

IN WITNESS WHEREOF, the Company and Executive have executed this Employment Agreement as of the date first above written.

THE COMPANY:

By:	/s/ Kate W. Duchene
Name:	Kate W. Duchene
Title:	Chief Executive Officer

EXECUTIVE:

/s/ Tim Brackney
Tim Brackney

Retention Bonus
Recovery Agreement
(Revised and Restated)

February 21, 2020

I, Tim Brackney, hereby acknowledge receipt of a retention bonus from Resources Global Professionals (“RGP”) in connection with my promotion to President & Chief Operating Officer, as reflected in my job description, in the amount of $500,000 (the “Retention Bonus”). The Retention Bonus was paid to me on August 9, 2019.

If, for any reason, I cease to be employed by RGP prior to the first day of the fourth quarter of RGP’s Fiscal Year 2024, I agree to repay the then outstanding amount of the Retention Bonus. Pursuant to this Agreement, the amount will be ratably forgiven over a period of 15 Fiscal Quarters beginning on the first day of Fiscal Year 2020, as long as I remain employed by RGP. Additionally, if at any point my employment is terminated by RGP without Cause, or if I terminate my employment for Good Reason (as these terms are defined in my renewed Employment Agreement with RGP dated February 21, 2020), I will not be required to repay RGP the then outstanding balance of the Retention Bonus.

Any repayment amount outstanding must be paid by me to RGP within 30 days of my last day of employment at RGP. In the event this amount is not paid when due, I agree to pay all attorneys’ fees and reasonable costs of collection.

Signature: /s/ Tim Brackney
Dated: February 21, 2020

Exhibit 31.1

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: April 2, 2020

/s/ Kate W. Duchene

Kate W. Duchene
President and Chief Executive Officer

Exhibit 31.2

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

I, Jennifer Ryu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Resources Connection, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 2, 2020

/s/ Jennifer Ryu

Jennifer Ryu
Chief Financial Officer

Exhibit 32

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

The undersigned, Kate W. Duchene, the Chief Executive Officer of Resources Connection, Inc., and Jennifer Ryu, Interim Chief Financial Officer of Resources Connection, Inc. (the "Company"), pursuant to 18 U.S.C. §1350, hereby certify that, to the best of her or his knowledge:

(i) the Report on Form 10-Q of the Company for the quarter ended February 22, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 2, 2020

/s/ KATE W. DUCHENE

Kate W. Duchene
President and Chief Executive Officer

/s/ JENNIFER RYU

Jennifer Ryu
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.