RESOURCES CONNECTION INC
Form 10-Q
January 05, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended November 26, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIESEXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 0-32113

RESOURCES CONNECTION, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	**33-0832424**
(State or Other Jurisdiction of	**(I.R.S. Employer**
Incorporation or Organization)	**Identification No.)**

17101 Armstrong Avenue, Irvine, California 92614

(Address of Principal Executive Offices and Zip Code)

(714) 430-6400

(Registrant s Telephone Number, Including Area Code)

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 þ No ¨

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

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

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of December 21, 2011, 43,135,544 shares of the registrant s common stock, $0.01 par value per share, were outstanding.

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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)

	September 30, November 26, 2011	September 30, May 28, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,666	$ 139,624
Short-term investments	10,997	5,249
Trade accounts receivable, net of allowance for doubtful accounts of $4,525 and $4,860 as of November 26, 2011 and May 28, 2011, respectively	87,924	87,162
Prepaid expenses and other current assets	6,552	5,818
Income taxes receivable	4,777	4,059
Deferred income taxes	7,752	7,962
Total current assets	227,668	249,874
Goodwill	174,775	176,475
Intangible assets, net	5,331	7,920
Property and equipment, net	24,800	26,389
Deferred income taxes	1,017	14,400
Other assets	1,254	1,339
Total assets	$ 434,845	$ 476,397
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 18,105	$ 19,167
Accrued salaries and related obligations	35,951	41,340
Other current liabilities	6,826	6,692
Total current liabilities	60,882	67,199
Other long-term liabilities, including estimated contingent consideration of $0 and $33,940 as of November 26, 2011 and May 28, 2011	3,050	36,472
Total liabilities	63,932	103,671
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; 55,252 and 55,021 shares issued; and 43,158 and 45,389 shares outstanding as of November 26, 2011 and May 28, 2011, respectively	553	550
Additional paid-in capital	329,988	324,492
Accumulated other comprehensive gain	111	3,442

Retained earnings		272,535		248,983
Treasury stock at cost, 12,094 shares and 9,632 shares at November 26, 2011 and May 28, 2011, respectively		(232,274)		(204,741)
Total stockholders equity		370,913		372,726
Total liabilities and stockholders equity	$	434,845	$	476,397

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

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RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	November 26, 2011	November 27, 2010	November 26, 2011	November 27, 2010
Revenue	$ 144,955	$ 138,534	$ 282,962	$ 262,242
Direct cost of services, primarily payroll and related taxes for professional services employees	90,034	83,787	175,869	158,210
Gross profit	54,921	54,747	107,093	104,032
Selling, general and administrative expenses	42,980	42,732	85,589	83,607
Employee portion of contingent consideration	(500)		(500)	
Contingent consideration adjustment	(33,440)	(23,700)	(33,440)	(22,413)
Amortization of intangible assets	1,186	1,310	2,394	2,600
Depreciation expense	1,471	1,870	3,020	3,715
Income from operations	43,224	32,535	50,030	36,523
Interest income	(65)	(114)	(153)	(242)
Income before provision for income taxes	43,289	32,649	50,183	36,765
Provision for income taxes	17,968	15,178	22,266	18,064
Net income	$ 25,321	$ 17,471	$ 27,917	$ 18,701
Net income per common share:				
Basic	$ 0.58	$ 0.38	$ 0.63	$ 0.41
Diluted	$ 0.58	$ 0.38	$ 0.63	$ 0.40
Weighted average common shares outstanding:				
Basic	43,760	46,048	44,468	46,156
Diluted	43,797	46,283	44,512	46,347
Cash dividends declared per share	$ 0.05	$ 0.04	$ 0.10	$ 0.08

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

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RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Unaudited)

(Amounts in thousands)

	September 30, Six Months Ended November 26, 2011
COMMON STOCK SHARES:	
Balance at beginning of period	55,021
Exercise of stock options	6
Issuance of common stock under Employee Stock Purchase Plan	225
Balance at end of period	55,252
COMMON STOCK PAR VALUE:	
Balance at beginning of period	$ 550
Exercise of stock options	1
Issuance of common stock under Employee Stock Purchase Plan	2
Balance at end of period	$ 553
ADDITIONAL PAID-IN CAPITAL:	
Balance at beginning of period	$ 324,492
Exercise of stock options	62
Stock-based compensation expense related to employee stock options and employee stock purchases	3,808
Tax shortfall from employee stock option plans	(678)
Issuance of common stock under Employee Stock Purchase Plan	2,304
Balance at end of period	$ 329,988
ACCUMULATED OTHER COMPREHENSIVE GAIN:	
Balance at beginning of period	$ 3,442
Currency translation adjustment	(3,331)
Balance at end of period	$ 111
RETAINED EARNINGS:	
Balance at beginning of period	$ 248,983
Cash dividends ($0.05 per share)	(4,365)
Net income	27,917
Balance at end of period	$ 272,535
TREASURY STOCK SHARES:	
Balance at beginning of period	9,632
Purchase of shares	2,462

Balance at end of period		12,094
TREASURY STOCK COST:		
Balance at beginning of period	$	(204,741)
Purchase of shares		(27,533)
Balance at end of period	$	(232,274)
COMPREHENSIVE INCOME:		
Net income	$	27,917
Currency translation adjustment		(3,331)
Total comprehensive income	$	24,586

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

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RESOURCES CONNECTION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in thousands)

	Six Months Ended November 26, 2011	Six Months Ended November 27, 2010
Cash flows from operating activities:		
Net income	$ 27,917	$ 18,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,414	6,315
Stock-based compensation expense related to employee stock options and employee stock purchases	3,808	5,269
Contingent consideration adjustment	(33,440)	(22,413)
Excess tax benefits from stock-based compensation	(12)	(159)
Loss on disposal of fixed assets	12	45
Deferred income tax benefit	13,603	9,516
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,803)	(4,866)
Prepaid expenses and other current assets	(1,016)	407
Income taxes	(1,554)	597
Other assets	108	273
Accounts payable and accrued expenses	(816)	533
Accrued salaries and related obligations	(4,516)	(3,944)
Other liabilities	302	883
Net cash provided by operating activities	7,007	11,157
Cash flows from investing activities:		
Redemption of short-term investments	10,500	15,994
Purchase of short-term investments	(16,248)	(20,990)
Purchases of property and equipment	(1,659)	(1,308)
Net cash used in investing activities	(7,407)	(6,304)
Cash flows from financing activities:		
Proceeds from exercise of stock options	63	1,532
Proceeds from issuance of common stock under Employee Stock Purchase Plan	2,306	2,143
Purchase of common stock	(27,533)	(7,348)
Cash dividends paid	(4,023)	(1,849)
Excess tax benefits from stock-based compensation	12	159
Net cash used in financing activities	(29,175)	(5,363)
Effect of exchange rate changes on cash	(383)	1,283
Net (decrease) increase in cash and cash equivalents	(29,958)	773
Cash and cash equivalents at beginning of period	139,624	130,659
Cash and cash equivalents at end of period	$ 109,666	$ 131,432

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

RESOURCES CONNECTION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and six months ended November 26, 2011 and November 27, 2010

1. Description of the Company and its Business

Resources Connection, Inc. (Resources Connection) was incorporated on November 16, 1998. Resources Connection is a multinational professional services firm; its operating entities provide services primarily under the name Resources Global Professionals (Resources Global or the Company). The Company provides clients with experienced professionals specializing in accounting, finance, risk management and internal audit, corporate advisory, strategic communications and restructuring, information management, human capital, supply chain management, actuarial and legal and regulatory services in support of client-led projects and initiatives. The Company has offices in the United States (U.S.), Asia, Australia, Canada, Europe and Mexico. Resources Connection is a Delaware corporation.

The Company s fiscal year consists of 52 or 53 weeks, ending on the last Saturday in May. The second quarters of fiscal 2012 and 2011 consisted of 13 weeks each.

2. Summary of Significant Accounting Policies

Interim Financial Information

The financial information as of and for the three and six months ended November 26, 2011 and November 27, 2010 is unaudited but includes all adjustments (consisting only of normal recurring adjustments) that the Company considers necessary for a fair statement of its financial position at such dates and the operating results and cash flows for those periods. The year-end balance sheet data was derived from audited financial statements, and certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States (GAAP) have been condensed or omitted pursuant to Securities and Exchange Commission (SEC) rules or regulations; however, the Company believes the disclosures made are adequate to make the information presented not misleading.

The results of operations for the interim periods presented are not necessarily indicative of the results of operations to be expected for the fiscal year. These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended May 28, 2011, which are included in the Company s Annual Report on Form 10-K for the year then ended (File No. 0-32113).

Contingent Consideration

The Company estimates and records the acquisition date estimated fair value of contingent consideration as part of purchase price consideration for acquisitions occurring subsequent to May 30, 2009. Additionally, each reporting period, the Company estimates changes in the fair value of contingent consideration and any change in fair value is recognized in the Consolidated Statement of Operations. The estimate of the fair value of contingent consideration requires very subjective assumptions to be made of future operating results, discount rates and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and related tax balances and, therefore, materially affect the Company s future financial results and financial condition. See Note 5 *Contingent Consideration* for discussion of adjustments to the fair value of contingent consideration.

Up to 20% of the contingent consideration payable under the terms of the acquisition agreements for Sitrick Brincko Group is payable to employees of the acquired business at the end of the measurement period to the extent certain growth targets are achieved. The Company records the estimated amount of the contractual obligation to pay the employee portion of the contingent consideration as compensation expense over the service period as it is deemed probable that the growth targets will be achieved. The estimate of the amount of the employee portion of contingent consideration requires very subjective assumptions to be made of future operating results. Future revisions to these assumptions could materially change the estimate of the amount of the employee portion of contingent consideration and related tax balances and, therefore, materially affect the Company s future financial results and financial condition. See Note 5 *Contingent Consideration* for further discussion.

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Cash, Cash Equivalents and Short-Term Investments

The Company classifies cash on hand and deposits in banks as cash and cash equivalents. Short-term investments with an original maturity date of three months or less are also classified as cash and cash equivalents; short-term investments with an original maturity date of greater than three months up to one year are classified as short-term investments and considered held to maturity . The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents approximate the fair values due to the short maturities of these instruments.

Client Reimbursements of Out-of-Pocket Expenses

The Company recognizes all reimbursements received from clients for out-of-pocket expenses as revenue and all such expenses as direct cost of services. Reimbursements received from clients were $3.3 million and $3.4 million for the three months ended November 26, 2011 and November 27, 2010, respectively and $6.8 million and $6.0 million for the six months ended November 26, 2011 and November 27, 2010, respectively

Stock-Based Compensation

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

The Company estimates the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods. Stock options vest over four years and restricted stock award vesting is determined on an individual grant basis under the Company s 2004 Performance Incentive Plan. The Company determines the estimated value of stock options using the Black-Scholes valuation model. The Company recognizes stock-based compensation expense on a straight-line basis over the service period for options that are expected to vest and records adjustments to compensation expense at the end of the service period if actual forfeitures differ from original estimates.

See Note 9 *Stock-Based Compensation Plans* for further information on stock-based compensation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure and recording of contingent assets and liabilities, such as contingent consideration and recovery of deferred tax assets, 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 reasonable, actual results could differ significantly from the estimates and assumptions used.

3. Stockholders Equity

In July 2007, the Company s board of directors approved a stock repurchase program, authorizing the repurchase, at the discretion of the Company s senior executives, of the Company s common stock for an aggregate dollar limit not to exceed $150 million (the July 2007 program). The July 2007 program had $2.2 million remaining for purchases as of May 28, 2011, all of which was used during the three months ended August 27, 2011. In April 2011, the board of directors approved a new stock repurchase program, authorizing the purchase of common stock, at the discretion of the Company s senior executives, for an aggregate dollar limit not to exceed $150 million (the April 2011 program). The April 2011 program commenced when the July 2007 program s authorized limit had been met. During the three and six months ended November 26, 2011, the Company purchased approximately 1.0 million and 2.5 million shares of its common stock at an average price of $10.88 and $11.18 per share for approximately $10.9 million and $27.5 million, respectively. As of November 26, 2011, approximately $124.6 million remains available under the April 2011 program.

4. Net Income Per Share

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

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

	Three Months Ended		Six Months Ended	
	November 26, 2011	November 27, 2010	November 26, 2011	November 27, 2010
Net income	$ 25,321	$ 17,471	$ 27,917	$ 18,701
Basic:				
Weighted average shares	43,760	46,048	44,468	46,156
Diluted:				
Weighted average shares	43,760	46,048	44,468	46,156
Potentially dilutive shares	37	235	44	191
Total dilutive shares	43,797	46,283	44,512	46,347
Net income per share:				
Basic	$ 0.58	$ 0.38	$ 0.63	$ 0.41
Diluted	$ 0.58	$ 0.38	$ 0.63	$ 0.40

The potentially dilutive shares presented above do not include the anti-dilutive effect of approximately 8.2 million and 6.5 million potential common shares for the three months ended November 26, 2011 and November 27, 2010, respectively and approximately 8.3 million and 7.1 million potential common shares for the six months ended November 26, 2011 and November 27, 2010, respectively.

5. Contingent Consideration

Contingent consideration related to Sitrick Brincko Group

On November 20, 2009, the Company acquired certain assets of Sitrick And Company (Sitrick Co), a strategic communications firm, and Brincko Associates, Inc. (Brincko), a corporate advisory and restructuring firm, through the purchase of all of the outstanding membership interests in Sitrick Brincko Group, a Delaware limited liability company, formed for the purpose of the acquisition, pursuant to a Membership Interest Purchase Agreement by and among the Company, Sitrick Co, Michael S. Sitrick, an individual, Brincko and John P. Brincko, an individual (together with Mr. Sitrick, Sitrick Co and Brincko, the Sellers). Prior to the acquisition date, Mr. Sitrick and Nancy Sitrick were the sole shareholders of Sitrick Co and Mr. Brincko was the sole shareholder of Brincko. Also on November 20, 2009, the Company acquired the personal goodwill of Mr. Sitrick pursuant to a Goodwill Purchase Agreement by and between the Company and Mr. Sitrick (collectively with the Membership Interest Purchase Agreement, the Acquisition Agreements). Sitrick Brincko Group is now a wholly-owned subsidiary of the Company. By combining the specialized skill sets of the Sitrick Brincko Group with the Company s existing consultant capabilities, geographic footprint and client base, the Company believes it has increased its ability to assist clients during challenging periods, particularly in the areas of management consulting, corporate advisory, strategic communications and restructuring services. This expected synergy gave rise to goodwill being recorded as part of the purchase price of Sitrick Brincko Group.

Pursuant to the Acquisition Agreements, contingent consideration will be payable to the Sellers in a lump sum following the fourth anniversary of the acquisition only if the average annual (calculated from each of the four one-year periods following the acquisition date) earnings before interest, taxes, depreciation and amortization (EBITDA) of Sitrick Brincko Group exceed $11.3 million. At the end of the four-year earn-out period, the Company will determine if the average annual EBITDA exceeded $11.3 million; if so, the contingent consideration payable is determined by multiplying the average annual EBITDA by 3.15 (representing the agreed upon multiple to be paid by the Company as specified in the Acquisition Agreements). If Sitrick Brincko Group s annual average EBITDA during the four-year earn-out period exceeds $11.3 million, the Company may, in its sole discretion, pay up to 50% of any earn-out payment in restricted stock of the Company.

Under accounting rules for business combinations, obligations that are contingently payable based upon the occurrence of one or more future events are to be estimated and recorded as a discounted liability on the Company s balance sheet even though the consideration is based on future events. The Company estimated at November 28, 2009 the fair value of the obligation to pay contingent consideration based on a number of different projections of the average EBITDA during the four-year earn-out measurement period and then assigned a probability weight to each scenario. In accordance with the Acquisition Agreements, the resultant probability-weighted average EBITDA amounts were then multiplied by 3.15. Because the contingent consideration is not subject to a ceiling and future EBITDA of Sitrick Brincko Group is theoretically unlimited, the range of the undiscounted amounts the Company could be obligated to pay as contingent consideration under the earn-out arrangement is between $0 and an unlimited amount.

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Each reporting period, the Company estimates changes in the fair value of contingent consideration and any change in fair value will be recognized as a non-cash adjustment (with related income tax adjustment) in the Company s Consolidated Statements of Operations. The Sitrick Brincko Group earn-out liability is based upon an assessment of actual EBITDA of the Sitrick Brincko Group through the evaluation date and an updated assessment of various probability weighted projected EBITDA scenarios over the remaining earn-out period. The total adjustment each quarter is a combination of the assessment of actual and projected EBITDA scenarios as well as changes in the discount rate and time value of money each reporting period. An increase in the earn-out expected to be paid will result in a charge to operations in the quarter that the anticipated fair value of contingent consideration increases, while a decrease in the earn-out expected to be paid will result in a credit to operations in the quarter that the anticipated fair value of contingent consideration decreases.

Sitrick Brincko Group s average EBITDA for the first two annual measurement periods was $6.5 million, approximately $4.8 million below the required $11.3 million base. Based upon the first two years actual results and the Company s updated probability weighted assessment of various projected EBITDA scenarios for the two years remaining in the earn-out period, the Company believes it is more likely than not that there will not be a contingent consideration payment due in November 2013 and, accordingly, has reduced the estimated fair value of the liability from $33.4 million to zero, representing a favorable non-cash adjustment reflected in the Company s Consolidated Statement of Operations. On an after-tax basis, the fair value adjustment increased net income for the three months ended November 26, 2011 by $20.4 million or $0.47 per share (including the impact of the employee portion of contingent consideration discussed below). In the comparable prior year fiscal period, the Company s assessment of the first year actual results and its updated probability weighted assessment of various projected EBITDA scenarios for the then three years remaining in the earn-out period, resulted in a non-cash decrease of $23.7 million from the previous estimate and was reflected in the Company s Consolidated Statements of Operations. On an after-tax basis, the fair value adjustment increased net income by $14.0 million or $0.30 per share for the three months ended November 27, 2010.

In the event that the contingent consideration is not paid at the conclusion of the earn-out period, Mr. Brincko will be entitled to receive a cash payment of $2,250,000, subject to his employment in good standing with the Company as defined. As a result of the Company s determination that it is more likely than not that the contingent consideration will not be earned, this amount will be recognized as an expense over the remaining service period from the time it was estimated that no contingent consideration will be due.

The estimate of the fair value of contingent consideration requires very subjective assumptions to be made of various potential operating result scenarios and discount rates. Although the Company believes that there will be no earn-out payment due in November 2013, it will continue to periodically review actual EBITDA results and an updated assessment of various probability weighted projected EBITDA scenarios of the Sitrick Brincko Group; if circumstances change and the Company determines that an earn-out payment may be due, such future revisions would materially change the estimate of the fair value of contingent consideration and therefore materially affect the Company s future financial results.

In addition, under the terms of the Acquisition Agreements, up to 20% of the contingent consideration is payable to the employees of Sitrick Brincko Group at the end of the measurement period to the extent certain EBITDA growth targets for Sitrick Brincko Group are met. The Company records the estimated amount of the contractual obligation to pay the employee portion of contingent consideration as compensation expense over the service period as it is deemed probable that the growth targets will be achieved. As a result of the Company s determination that it is more likely than not that the contingent consideration will not be earned as of November 2013, the Company has reversed its previously recorded estimate of $500,000 (and related tax effect of approximately $200,000) for the employee portion of contingent consideration for the three and six months ended November 26, 2011. The estimate of the amount of the employee portion of contingent consideration payable requires very subjective assumptions to be made of future operating results. Future revisions to these assumptions could materially change the estimate of the amount of the employee portion of contingent consideration and, therefore, materially affect the Company s future financial results.

Contingent consideration related to fiscal 2009 acquisition

The purchase agreement for Xperianz, an Ohio-based provider of professional services acquired on May 12, 2009, requires a possible contingent consideration payment and is accounted for under business combination accounting rules effective prior to fiscal 2010 in which earn-out payments are recorded as an adjustment to goodwill and not as an adjustment in the Consolidated Statement of Operations. The Company is required to pay up to $1.1 million in additional cash in fiscal 2012, provided certain revenue and gross margin milestones are met. The Company currently believes it is unlikely these milestones will be achieved and no liability is recorded in these financial statements for the Xperianz earn-out.

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6. Goodwill and Intangible Assets

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

	As of November 26, 2011			As of May 28, 2011		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer relationships (2 7 years)	$ 18,127	$ (15,494)	$ 2,633	$ 18,573	$ (13,844)	$ 4,729
Consultant and customer database (1 5 years)	2,345	(2,240)	105	2,385	(2,210)	175
Non-compete agreements (1 5 years)	3,225	(1,428)	1,797	3,244	(1,144)	2,100
Trade name and trademark (5 years)	1,281	(485)	796	1,281	(365)	916
Total	$ 24,978	$ (19,647)	$ 5,331	$ 25,483	$ (17,563)	$ 7,920

The Company recorded amortization expense of $1.2 million and $1.3 million for the three months ended November 26, 2011 and November 27, 2010, respectively and $2.4 million and $2.6 million for the six months ended November 26, 2011 and November 27, 2010, respectively. Estimated intangible asset amortization expense (based on existing intangible assets) for the years ending May 26, 2012, May 25, 2013, May 31, 2014, May 30, 2015 and May 29, 2016 is $3.0 million, $1.7 million, $1.7 million, $931,000 and $0, respectively. These estimates do not incorporate the impact that currency fluctuations may cause when translating the financial results of the Company s international operations that have amortizable intangible assets into U.S. dollars. The fluctuation in gross balance of intangible assets reflects the impact of currency fluctuations between fiscal 2012 and 2011 in translating the intangible asset balances recorded on the Company s international operations balance sheets.

Goodwill and other intangible assets with indefinite lives are not subject to amortization but are tested for impairment annually or whenever events or changes in circumstances indicate that the asset might be impaired. The Company performed its annual goodwill impairment analysis as of May 28, 2011, and concluded that no impairment was indicated at that date. The Company will continue to test for impairment at least annually. The Company performs its impairment analysis by comparing its market capitalization to its book value throughout the fiscal year. For application of this methodology, the Company determined that it operates as a single reporting unit resulting from the combination of its practice offices. There were no indicators of impairment as of November 26, 2011. The following table summarizes the activity in the Company s goodwill balance (amounts in thousands):

	For the Six Months Ended	
	November 26, 2011	November 27, 2010
Goodwill, beginning of year	$ 176,475	$ 172,632
Impact of foreign currency exchange rate changes	(1,700)	1,649
Goodwill, end of period	$ 174,775	$ 174,281

7. Provision for Income Taxes

The Company s provision for income taxes was $18.0 million (effective tax rate of 41.6%) and $15.2 million (effective tax rate of 46.6%) for the three months ended November 26, 2011 and November 27, 2010, respectively.

During the second quarter of fiscal 2012, the provision increased in part because of the increase in pre-tax income resulting from the adjustment of estimated fair value of contingent consideration for which a related deferred tax asset had previously been established ($13.5 million) as compared to fiscal 2011 ($9.7 million). The provision for income taxes in the second quarter of fiscal 2012 and 2011 also results from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. In addition, tax expense in the second quarter of both fiscal 2012 and 2011 includes the effect of the Company s reduction of the tax deductible goodwill deferred tax asset that resulted from the adjustment of the estimated fair value of contingent consideration. In addition, the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying incentive stock option (ISO) exercises impact the Company s effective tax rate. Under current accounting rules, the Company cannot recognize a tax benefit for the stock compensation expense related to certain ISO exercises unless and until the holder exercises his or her option and then sells the shares within a certain period of time. Also, the Company can only recognize a potential tax benefit for employees acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. Further, tax benefits associated with ISO grants fully vested at the date of adoption of current accounting rules for stock based compensation will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company s tax provision. The Company recognized a benefit of approximately $545,000 and $837,000 related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the second quarter of fiscal 2012 and 2011, respectively.

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8. Segment 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 2011 Annual Report on Form 10-K for the fiscal year ended May 28, 2011. Summarized financial information regarding the Company s domestic and international operations is shown in the following table (amounts in thousands):

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	Revenue for the Three Months Ended		Revenue for the Six Months Ended		Long-Lived Assets (1) as of	
	November 26, 2011	November 27, 2010	November 26, 2011	November 27, 2010	November 26, 2011	May 28, 2011
United States	$ 102,868	$ 101,569	$ 203,123	$ 197,036	$ 176,325	$ 178,866
The Netherlands	8,592	8,956	16,623	15,872	24,974	27,631
Other	33,495	28,009	63,216	49,334	3,607	4,287
Total	$ 144,955	$ 138,534	$ 282,962	$ 262,242	$ 204,906	$ 210,784

(1) Long-lived assets are comprised of goodwill, intangible assets, building and land, furniture, leasehold improvements, computers, equipment and software.

9. Stock-Based Compensation Plans

Stock Options and Restricted Stock

As of November 26, 2011, the Company had outstanding grants under the following share-based compensation plans:

2004 Performance Incentive Plan (2004 Plan) The 2004 Plan serves as the successor to the 1999 Long Term Incentive Plan (1999 Plan). At inception, a total of 7,500,000 new shares of common stock were made available for awards under the 2004 Plan to employees and non-employee directors. Awards under the 2004 Plan may include, but are not limited to, stock options and restricted stock grants. Stock options generally vest in equal annual installments over four years and terminate ten years from the dates of grant. Restricted stock award vesting is determined on an individual grant basis. As of November 26, 2011, 1,839,000 shares were available for future award grants under the 2004 Plan, although awards of restricted stock under the 2004 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 1999 Plan was terminated in 2004, except as to the outstanding options. Such options vest in equal annual installments over four years and terminate ten years from the dates of grant. Outstanding awards under the 1999 Plan that expire or terminate without having become vested or exercised roll over to the 2004 Plan.

The following table summarizes the stock option activity for the six months ended November 26, 2011 (number of options and intrinsic value in thousands):

	September 30,	September 30,	September 30,	September 30,
	Number of Shares Under Option	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value

Outstanding at May 28, 2011	8,609	$	20.45	5.93	$ 1,622
Granted, at fair market value	111	$	10.38		
Exercised	(6)	$	9.63		
Forfeited	(541)	$	21.92		
Outstanding at November 26, 2011	8,173	$	20.23	5.49	$ 160
Exercisable at November 26, 2011	5,771	$	21.40	4.26	$ 160

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Stock-Based Compensation Expense

The Company s income before provision for income taxes included compensation expense for the three months ended November 26, 2011 and November 27, 2010 of $1.9 million and $2.6 million, respectively, and for the six months ended November 26, 2011 and November 27, 2010 of $3.8 million and $5.3 million, respectively related to stock-based compensation arrangements (including employee stock options, restricted stock grants and employee stock purchases made via the ESPP). There were no capitalized share-based compensation costs for the six months ended November 26, 2011 and November 27, 2010.

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The weighted average estimated value per share of employee stock options granted during the three months ended November 26, 2011 was $3.27 using the Black-Scholes model with the following assumptions:

	September 30, Three Months Ended November 26, 2011
Expected volatility	43.3%-45.4%
Risk-free interest rate	0.9%-1.0%
Expected dividends	1.5%
Expected life	5.2 years

Gross excess tax benefits resulting from the exercise of stock options are reflected as financing cash flows in the Company s Statements of Cash Flows. For the six months ended November 26, 2011 and November 27, 2010, gross excess tax benefits totaled $12,000 and $159,000, respectively.

The aggregate intrinsic value in the table above represents the total pretax intrinsic value, which is the difference between the Company s closing stock price on the last trading day of the second quarter of fiscal 2012 and the exercise price times the number of shares that would have been received by the option holders if they had exercised their in the money options on November 26, 2011. This amount will change based on the fair market value of the Company s common stock. The aggregate intrinsic value of stock options exercised for the six months ended November 26, 2011 and November 27, 2010 was $9,500 and $677,000, respectively. As of November 26, 2011, there was $13.1 million of unrecognized compensation cost related to stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 32 months.

Net cash proceeds from stock option exercises and issuance of common stock under the ESPP for the six months ended November 26, 2011 and November 27, 2010 were $2.4 million and $3.7 million, respectively. The Company s policy is to issue shares from its authorized shares upon the exercise of stock options.

Employee Stock Purchase Plan

The Company s stockholders approved the ESPP in October 2000. Under the terms of the ESPP, as amended on October 17, 2008, a total of 4,400,000 shares of common stock may be issued. The ESPP allows for qualified employees (as defined in the ESPP) to participate in the purchase of designated shares of the Company s common stock at a price equal to 85% of the lesser of the fair market value of common stock at the beginning or end of each semi-annual stock purchase period. The Company issued 225,000 and 365,000 shares of common stock pursuant to this plan for the six months ended November 26, 2011 and the year ended May 28, 2011, respectively. There were 1,402,000 shares of common stock available for issuance under the ESPP as of November 26, 2011.

10. Accrued Dividend Payable and Supplemental Cash Flow Information

The Company s board of directors announced July 20, 2010 that it had authorized the establishment of a regular quarterly dividend of $0.04 per common share (increased to $0.05 per common share on August 2, 2011). During the six months ended November 26, 2011, the board of directors declared cash dividends totaling $0.10 per share. The board of directors most recent dividend declaration on November 1, 2011 was paid in cash on December 21, 2011 to shareholders of record at the close of business on November 23, 2011. The accrual for the most recent dividend declaration of approximately $2.2 million as of November 26, 2011 is included in accounts payable and accrued expenses in the Consolidated Balance Sheet. The Statement of Cash Flows for the six months ended November 26, 2011 does not include the dividend payment declared on November 1, 2011 under the caption Cash flows from financing activities as it was paid after the end of the second quarter of fiscal 2012.

11. Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (FASB) issued revised authoritative guidance for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The guidance allows an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment for a reporting unit. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the quantitative two-step impairment test is unnecessary. Early adoption is permitted for annual and interim goodwill impairment tests if an entity s financial statements for the most recent interim period have not yet been issued. The Company does not expect that adoption of this guidance will have a material impact on the Company s consolidated financial position, results of operations and cash flows.

In May 2011, the FASB issued guidance to amend certain measurement and disclosure requirements related to fair value measurements to improve consistency with international reporting standards. This guidance is effective prospectively for public entities for interim and annual reporting periods beginning after December 15, 2011, with early adoption by public entities prohibited, and is applicable to the Company s fiscal quarter beginning May 27, 2012. The Company does not expect its adoption will have a material effect on its consolidated financial statements.

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In June 2011, the FASB issued new guidance on the presentation of comprehensive income that will require a company to present components of net income and other comprehensive income in one continuous statement or in two separate, but consecutive statements. There are no changes to the components that are recognized in net income or other comprehensive income under current GAAP. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011, with early adoption permitted. It is applicable to the Company s fiscal year beginning May 27, 2012. The Company does not expect its adoption will have a material effect on its consolidated financial statements.

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

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

OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes. This discussion and analysis contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to expectations concerning matters that are not historical facts. Such forward-looking statements may be identified by words such as anticipates, believes, can, continue, could, estimates, expects, intends, may, plans, potential, predicts, remain, should, or will or other comparable terminology. These statements, and all phases of our operations, are subject to known and unknown risks, uncertainties and other factors, some of which are identified in Part II Item 1A Risk Factors below and in our report on Form 10-K for the year ended May 28, 2011 (File No. 0-32113). Readers are cautioned not to place undue reliance on these forward-looking statements. Our actual results, levels of activity, performance or achievements and those of our industry may be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to update the forward-looking statements in this filing. References in this filing to Resources Connection, Resources Global Professionals, Resources Global, the Company, we, us, and our refer to Resources Connection, Inc. and its subsidiaries.

Overview

Resources Global is a multinational professional services firm that provides clients with experienced professionals specializing in finance, accounting, risk management and internal audit, corporate advisory, strategic communications and restructuring, information management, human capital, supply chain management, actuarial and legal and regulatory services in support of client-led projects and initiatives. We assist our clients with discrete projects requiring specialized expertise in:

- finance and accounting services, such as financial analyses (e.g., product costing and margin analyses), budgeting and forecasting, audit preparation, public-entity reporting, tax-related projects, merger and acquisition due diligence, initial public offering assistance and assistance in the preparation or restatement of financial statements;
- information management services, such as financial system/enterprise resource planning implementation and post implementation optimization;
- corporate advisory, strategic communications and restructuring services;
- risk management and internal audit services, including compliance reviews, internal audit co-sourcing and assisting clients with their compliance efforts under the Sarbanes-Oxley Act of 2002 (Sarbanes);
- supply chain management services, such as strategic sourcing efforts, contract negotiations and purchasing strategy;

actuarial services for pension and life insurance companies;

human capital services, such as change management and compensation program design and implementation; and

legal and regulatory services, such as providing attorneys, paralegals and contract managers to assist clients (including law firms) with project-based or peak period needs.

Founded in June 1996 as a division of Deloitte & Touche, we completed a management-led buyout in partnership with several investors in April 1999. We began trading on the NASDAQ Stock Market in December 2000 following our initial public offering of common stock. We currently trade on the NASDAQ Global Select Market. In January 2005, we announced the change of our operating entity name from Resources Connection to Resources Global Professionals to better reflect the Company s multinational capabilities. As of November 26, 2011, the Company served clients through 51 offices in the United States and 29 offices abroad.

Critical Accounting Policies

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

The following represents a summary of our critical accounting policies, defined as those policies that we believe: (a) are the most important to the portrayal of our financial condition and results of operations and (b) involve inherently uncertain issues that require management s most difficult, subjective or complex judgments.

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

Contingent consideration The Company estimates and records the acquisition date fair value of contingent consideration as part of purchase price consideration for acquisitions occurring subsequent to May 30, 2009. In addition, each reporting period, the Company estimates changes in the fair value of contingent consideration and any change in fair value is recognized in the Company s Consolidated Statements of Operations. The estimate of the fair value of contingent consideration requires very subjective assumptions to be made of future operating results, discount rates and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change the estimate of the fair value of contingent consideration and therefore materially affect the Company s future financial results and financial condition.

Under the terms of our acquisition agreements for Sitrick Brincko Group, the Sellers have the opportunity to receive contingent consideration subsequent to the fourth anniversary of the acquisition, provided that Sitrick Brincko Group s average annual EBITDA over a period of four years following the acquisition date exceeds $11.3 million. The range of undiscounted amounts the Company could be obligated to pay as contingent consideration under the earn-out arrangement is between $0 and an unlimited amount. At the date of acquisition, the Company determined the fair value of the obligation to pay contingent consideration based on probability-weighted projections of the average EBITDA during the four year earn-out measurement period. The resultant probability-weighted average EBITDA amounts were then multiplied by 3.15 (representing the agreed upon multiple to be paid by the Company as specified in the acquisition agreements) and then discounted using an original discount rate of 1.9%. Each reporting period, the Company estimates changes in the fair value of contingent consideration and any change in fair value will be recognized as a non-cash charge (with related income tax adjustment) in the Company s Consolidated Statements of Operations. The Sitrick Brincko Group earn-out liability is based upon an assessment of actual EBITDA of the Sitrick Brincko Group through the evaluation date and an updated assessment of various probability weighted projected EBITDA scenarios over the remaining earn-out period. As the ultimate estimated liability is also discounted each period from the November 2013 earn-out date, the contingent consideration liability may fluctuate due to changes in the risk-free interest rate used in determining the appropriate discount factor for time value of money purposes. An increase in the earn-out expected to be paid will result in a charge to operations in the quarter that the anticipated fair value of contingent consideration increases, while a decrease in the earn-out expected to be paid will result in a credit to operations in the quarter that the anticipated fair value of contingent consideration decreases.

In addition, under the terms of our acquisition agreements for Sitrick Brincko Group, up to 20% of the contingent consideration is payable to employees of the acquired business at the end of the measurement period to the extent certain EBITDA growth targets are achieved. The Company records the estimated amount of the contractual obligation to pay the employee portion of the contingent consideration as compensation expense (with related income tax adjustment) over the service period as it is deemed probable that the growth targets will be achieved. The estimate of the amount of the employee portion of contingent consideration requires very subjective assumptions to be made of future operating results. Future revisions to these assumptions could materially change our estimate of the amount of the employee portion of contingent consideration and therefore materially affect the Company s future financial results and financial condition.

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

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

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

Stock-based compensation Under our 2004 Plan, officers, employees, and outside directors have received or may receive grants of restricted stock, stock units, options to purchase common stock or other stock or stock-based awards. Under our ESPP, eligible officers and employees may purchase our common stock in accordance with the terms of the plan.

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

The Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. On July 20, 2010, the Company s board of directors announced the commencement of a quarterly dividend, subject to quarterly board of director approval. Consequently, effective with option grants in the first quarter of fiscal 2011, the impact of expected dividends is incorporated in determining the estimated value per share of employee stock option grants. The Company s historical expected life of stock option grants is 5.2 years for non-officers and 7.0 years for officers. The Company uses its historical volatility over the expected life of the stock option award to estimate the expected volatility of the price of its common stock. The Company reviews the underlying assumptions related to stock-based compensation at least annually.

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

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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.

	For the Three Months Ended		For the Six Months Ended	
	November 26, 2011	November 27, 2010	November 26, 2011	November 27, 2010
	(Amounts in thousands)		(Amounts in thousands)	
Revenue	$ 144,955	$ 138,534	$ 282,962	$ 262,242
Direct cost of services	90,034	83,787	175,869	158,210
Gross profit	54,921	54,747	107,093	104,032
Selling, general and administrative expenses	42,980	42,732	85,589	83,607
Employee portion of contingent consideration	(500)		(500)	
Contingent consideration adjustment	(33,440)	(23,700)	(33,440)	(22,413)
Amortization of intangible assets	1,186	1,310	2,394	2,600
Depreciation expense	1,471	1,870	3,020	3,715
Income from operations	43,224	32,535	50,030	36,523
Interest income	(65)	(114)	(153)	(242)
Income before provision for income taxes	43,289	32,649	50,183	36,765
Provision for income taxes	17,968	15,178	22,266	18,064
Net income	$ 25,321	$ 17,471	$ 27,917	$ 18,701

We also assess the results of our operations using EBITDA as well as Adjusted EBITDA. EBITDA is defined as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA plus stock-based compensation expense and fair value adjustments to contingent consideration. Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by revenue. These measures assist management in assessing our core operating performance. The following table presents EBITDA and Adjusted EBITDA results for the three and six months ended November 26, 2011 and November 27, 2010 and includes a reconciliation of such measures to net income, the most directly comparable GAAP financial measure:

	For the Three Months Ended		For the Six Months Ended	
	November 26, 2011	November 27, 2010	November 26, 2011	November 27, 2010
	(Amounts in thousands, except margin percentage)		(Amounts in thousands, except margin percentage)	
Net income	$ 25,321	$ 17,471	$ 27,917	$ 18,701
Adjustments:				
Amortization of intangible assets	1,186	1,310	2,394	2,600
Depreciation expense	1,471	1,870	3,020	3,715
Interest income	(65)	(114)	(153)	(242)
Provision for income taxes	17,968	15,178	22,266	18,064
EBITDA	45,881	35,715	55,444	42,838
Stock-based compensation expense	1,876	2,589	3,808	5,269

Contingent consideration adjustment		(33,440)		(23,700)		(33,440)		(22,413)
Adjusted EBITDA	$	14,317	$	14,604	$	25,812	$	25,694
Revenue	$	144,955	$	138,534	$	282,962	$	262,242
Adjusted EBITDA margin		9.9%		10.5%		9.1%		9.8%

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 statement 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.

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Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. We believe that 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 has 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;

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

Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its 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 November 26, 2011 Compared to Three Months Ended November 27, 2010

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

Revenue. Revenue increased $6.5 million, or 4.7%, to $145.0 million for the three months ended November 26, 2011 from $138.5 million for the three months ended November 27, 2010. We deliver our services to clients in a similar fashion across the globe and for the second quarter of fiscal 2012, revenue increased in all geographies in comparison to the second quarter of fiscal 2011. We believe the increase in total revenue is partially attributable to clients engaging us to help implement initiatives to improve efficiencies within their organizations and to improved awareness of our service offerings with clients through our completed and on-going engagements.

The number of hours worked in the second quarter of fiscal 2012 increased about 6.9% compared with the prior year second quarter while average bill rates were down about 1.5%. The number of consultants on assignment as of November 26, 2011 was 2,359 compared to 2,268 consultants engaged as of November 27, 2010.

We operated 80 (29 abroad) and 82 (29 abroad) offices as of November 26, 2011 and November 27, 2010, respectively. Determining future demand levels for our services is difficult given that our clients do not sign long-term contracts with us. In addition, it is inherently difficult to predict economic trends and their impact on our operations and our future results cannot be reliably predicted by considering past trends.

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

	September 30,	September 30,	September 30,	September 30,	September 30,
	Revenue for the Three Months Ended			% of Total	
	November 26, 2011	November 27, 2010	% Change	November 26, 2011	November 27, 2010
North America	$ 106,535	$ 106,044	0.5%	73.5%	76.5%
Europe	28,353	23,716	19.6%	19.6%	17.1%
Asia Pacific	10,067	8,774	14.7%	6.9%	6.4%
Total	$ 144,955	$ 138,534	4.6%	100.0%	100.0%

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates in effect during the quarter.

Thus, as the value of the United States dollar fluctuates relative to the currencies in our non-U.S. based operations, our revenue can be impacted. Using the comparable fiscal 2011 conversion rates, international revenues would have been lower than reported under GAAP by $1.0 million in the second quarter of fiscal 2012.

Direct Cost of Services. Direct cost of services increased $6.2 million, or 7.4%, to $90.0 million for the three months ended November 26, 2011 from $83.8 million for the three months ended November 27, 2010. Direct cost of services increased because the number of hours worked rose 6.9% in the second quarter of fiscal 2012 as compared to the same period of fiscal 2011. The average pay rate per hour to our consultants also rose about 1.5% between the two periods. The direct cost of services percentage of revenue was 62.1% and 60.5% for the three months ended November 26, 2011 and November 27, 2010, respectively. The increase in the direct cost of services percentage between the quarters resulted from the unfavorable change in the bill rate/pay rate ratio and higher employee benefit costs.

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

Selling, General and Administrative Expenses. S, G & A as a percentage of revenue was 29.7% and 30.8% for the quarters ended November 26, 2011 and November 27, 2010, respectively. S, G & A increased $0.3 million, or 0.7%, to $43.0 million for the three months ended November 26, 2011 from $42.7 million for the three months ended November 27, 2010.

The increase quarter-over-quarter is primarily related to increased compensation and related benefit costs (primarily health care costs), partly offset by decreases in stock-based compensation expenses. Management and administrative headcount increased from 710 at the end of the second quarter of fiscal 2011 to 716 at the end of the second quarter of fiscal 2012.

Sequential Operations. On a sequential quarter basis, fiscal 2012 second quarter revenues increased approximately 5.1%, from $138.0 million to $145.0 million, with average bill rates flat and an increase in hours (5.2%). The Company s sequential revenue decreased in Asia Pacific (-5.6%), but was up in North America (2.3%) and Europe (21.9%). The increased revenue in the second quarter in the United States and Europe was aided by lower vacation time taken by our consultants than during the summer holiday season. The direct cost of services percentage of revenue decreased from 62.2% in the first quarter of fiscal 2012 to 62.1% in the second quarter of fiscal 2012; this improvement was primarily attributable to seasonal decreases in payroll taxes. The ratio of selling, general and administrative expenses (S,G & A) to revenue improved from 30.9% for the quarter ended August 27, 2011 to 29.7% for the quarter ended November 26, 2011, primarily due to increased leverage as a result of higher revenue in the second quarter of fiscal 2012.

Employee Portion of Contingent Consideration and Contingent Consideration Adjustment. At the conclusion of the second annual evaluation period for earn-out qualification, the Company determined that it was more likely than not that the Sitrick Brincko Group would not exceed the target average EBITDA of $11.3 million necessary for an earn-out payment in November 2013 after an evaluation of the first two years of actual EBITDA results as well as the Company s updated probability weighted assessment of various projected EBITDA scenarios for the two years remaining in the earn-out period. Based upon this conclusion, the Company reduced the fair value of the estimated liability from $33.4 million to zero, representing a favorable non-cash adjustment as reflected in the Company s Consolidated Statement of Operations ($20.4 million net of tax, including the employee portion adjustment discussed below). In the prior year second quarter, the Company adjusted the estimated earn-out payment by $23.7 million ($14.0 million net of tax). In addition, in the second quarter of fiscal 2012, the Company also reversed its previously recorded estimate of $500,000 for the employee portion of contingent consideration after determining that it is more likely than not that the earn-out contingent consideration will not be paid. As further described in Critical Accounting Policies Contingent Consideration above, estimates related to these two contingent amounts were recorded beginning in fiscal 2010 as a result of management s evaluation of the amount of contingent consideration owed to employees related to the Sitrick Brincko Group acquisition (in the case of the employee portion of contingent consideration) and the change in the estimated fair value of the contingent consideration (in the case of contingent consideration expense).

The estimate of the fair value of contingent consideration payable, including the employee portion, requires very subjective assumptions to be made of various potential operating result scenarios; significant increases in the future estimated EBITDA could result in an increase in the estimated fair value of the Sitrick Brincko Group contingent consideration and therefore materially affect the Company s future financial results and financial condition.

Amortization and Depreciation Expense. Amortization of intangible assets decreased to $1.2 million for the three months ended November 26, 2011 from $1.3 million for the three months ended November 27, 2010. The decrease is the result of the completion of amortization on certain identifiable intangible assets. Based upon identified intangible assets recorded at November 26, 2011, the Company anticipates amortization expense related to identified intangible assets to approximate $3.0 million during the fiscal year ending May 26, 2012.

Depreciation expense was $1.5 million for the three months ended November 26, 2011 compared to $1.9 million for the three months ended November 27, 2010. Depreciation decreased as a number of assets were fully depreciated during fiscal 2010 and 2011 and, since fiscal 2010, the Company has slowed the amount invested in property and equipment as compared to previous fiscal years.

Interest Income. Interest income was $65,000 in the second quarter of fiscal 2012 compared to $114,000 in the second quarter of fiscal 2011. The decrease in interest income in the second quarter of fiscal 2012 is primarily the result of lower interest rates available as compared to the prior year s second quarter and to a lesser extent, lower available cash balances for investment.

The Company has invested available cash in certificates of deposit, money market investments and commercial paper that have been classified as cash equivalents due to the short maturities of these investments. As of November 26, 2011, the Company also has $11.0 million of investments in commercial paper and certificates of deposit with maturity dates between three months and one year from the balance sheet date classified as short-term investments and considered held-to-maturity securities.

Income Taxes. The Company s provision for income taxes was $18.0 million (effective tax rate of 41.6%) and $15.2 million (effective tax rate of 46.6%) for the three months ended November 26, 2011 and November 27, 2010, respectively.

During the second quarter of fiscal 2012, the provision increased in part because of the increase in pre-tax income resulting from the adjustment of estimated fair value of contingent consideration for which a related deferred tax asset had previously been established ($13.5 million) as compared to fiscal 2011 ($9.7 million). The provision for income taxes in the second quarter of fiscal 2012 and 2011 also results from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. In addition, the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying incentive stock option (ISO) exercises impact the Company s effective tax rate.

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, because of differences compared to the United States statutory rate for losses in certain foreign jurisdictions, the limitation on the benefit for losses in jurisdictions in which a valuation allowance for operating loss carryforwards has previously been established, and the unpredictability of timing and the amount of eligible disqualifying ISO exercises, that the Company s effective tax rate will remain constant in the future.

The Company cannot recognize a tax benefit for certain ISO grants unless and until the holder exercises his or her option and then sells the shares within a certain period of time. In addition, the Company can only recognize a potential tax benefit for employees acquisition and subsequent sale of shares purchased through the ESPP if the sale occurs within a certain defined period. As a result, the Company s provision for income taxes is likely to fluctuate from these factors for the foreseeable future. Further, those tax benefits associated with ISO grants fully vested at the date of adoption of the current accounting rules governing stock awards will be recognized as additions to paid-in capital when and if those options are exercised and not as a reduction to the Company s tax provision. The Company recognized a benefit of approximately $545,000 and $837,000 related to stock-based compensation for nonqualified stock options expensed and for eligible disqualifying ISO exercises during the second quarter of fiscal 2012 and 2011, respectively. The timing and amount of eligible disqualifying ISO exercises cannot be predicted.

Six Months Ended November 26, 2011 Compared to Six Months Ended November 27, 2010

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

Revenue. Revenue increased $20.8 million, or 7.9%, to $283.0 million for the six months ended November 26, 2011 from $262.2 million for the six months ended November 27, 2010. The number of hours worked in the first six months of fiscal 2012 increased about 8.6% compared with the prior year first six months while average bill rates fell about 0.8%. In addition, the revenue increase in the period is partially attributable to client reimbursement revenue which rose approximately $800,000 or 13% over the prior year s first six months.

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

	September 30,	September 30,	September 30,	September 30,	September 30,
	Revenue for the Six Months Ended			% of Total	
	November 26, 2011	November 27, 2010	% Change	November 26, 2011	November 27, 2010
North America	$ 210,605	$ 204,748	2.9%	74.4%	78.1%
Europe	51,637	41,499	24.4%	18.3%	15.8%

Asia Pacific	20,720	15,995	29.5%	7.3%	6.1%
Total	$ 282,962	$ 262,242	7.9%	100.0%	100.0%

Our financial results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates in effect during the period. Thus, as the value of the United States dollar fluctuates relative to the currencies in our non-U.S. based operations, our revenue can be impacted. Using the comparable fiscal 2011 conversion rates, international revenues would have been lower than reported under GAAP by $4.9 million in the first half of fiscal 2012.

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***Direct Cost of Services*.** Direct cost of services increased $17.7 million, or 11.2%, to $175.9 million for the six months ended November 26, 2011 from $158.2 million for the six months ended November 27, 2010. Direct cost of services increased because the number of hours worked rose 8.6% in the first half of fiscal 2012 as compared to the same period of fiscal 2011. The average pay rate per hour to our consultants also rose about 1.6% between the two periods. The direct cost of services percentage of revenue was 62.2% and 60.3% for the six months ended November 26, 2011 and November 27, 2010, respectively. The increase in the direct cost of services percentage between the periods resulted from the unfavorable change in the bill rate/pay rate ratio and higher employee benefit costs.

Selling, General and Administrative Expenses. S, G & A as a percentage of revenue was 30.2% and 31.9% for the six months ended November 26, 2011 and November 27, 2010, respectively. S, G & A increased $2.0 million, or 2.4%, to $85.6 million for the six months ended November 26, 2011 from $83.6 million for the six months ended November 27, 2010.

The increase period-over-period is primarily related to increased compensation and related benefit costs (primarily health care costs), partly offset by decreases in stock-based compensation expenses and to a lesser extent rent expense.

Employee Portion of Contingent Consideration and Contingent Consideration Adjustment. At the conclusion of the second annual evaluation period for earn-out qualification, the Company determined that it was more likely than not that the Sitrick Brincko Group would not exceed the target average EBITDA of $11.3 million necessary for an earn-out payment in November 2013 after an evaluation of the first two years of actual EBITDA results as well as the Company s updated probability weighted assessment of various projected EBITDA scenarios for the two years remaining in the earn-out period. Based upon this conclusion, the Company reduced the fair value of the estimated liability from $33.4 million to zero, representing a non-cash favorable adjustment as reflected in the Company s Consolidated Statement of Operations for the six months ended November 26, 2011 ($20.4 million net of tax, including the employee portion adjustment discussed below). In the prior year first six months, the Company adjusted the estimated earn-out payment by $22.4 million ($13.2 million net of tax). In addition, in the first half of fiscal 2012, the Company also reversed its previously recorded estimate of $500,000 for the employee portion of contingent consideration after determining that it is more likely than not that the earn-out contingent consideration will not be paid. As further described in Critical Accounting Policies Contingent Consideration above, estimates related to these two contingent amounts were recorded beginning in fiscal 2010 as a result of management s evaluation of the amount of contingent consideration owed to employees related to the Sitrick Brincko Group acquisition (in the case of the employee portion of contingent consideration) and the change in the estimated fair value of the contingent consideration (in the case of contingent consideration expense).

The estimate of the fair value of contingent consideration payable, including the employee portion, requires very subjective assumptions to be made of various potential operating result scenarios; significant increases in the future estimated EBITDA could result in an increase in the estimated fair value of the Sitrick Brincko Group contingent consideration and therefore materially affect the Company s future financial results and financial condition.

Amortization and Depreciation Expense. Amortization of intangible assets decreased to $2.4 million for the six months ended November 26, 2011 from $2.6 million for the six months ended November 27, 2010. The decrease is the result of the completion of amortization on certain identifiable intangible assets.

Depreciation expense was $3.0 million for the six months ended November 26, 2011 compared to $3.7 million for the six months ended November 27, 2010. Depreciation decreased as a number of assets were fully depreciated during fiscal 2010 and 2011 and, since fiscal 2010, the Company has slowed the amount invested in property and equipment as compared to previous fiscal years.

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Interest Income. Interest income was $153,000 in the first half of fiscal 2012 compared to $242,000 in the first half of fiscal 2011. The decrease in interest income in fiscal 2012 is primarily the result of lower interest rates available as compared to the prior year s first half and to a lesser extent lower cash balances.

Income Taxes. The Company s provision for income taxes was $22.3 million (effective tax rate of 44.4%) and $18.1 million (effective tax rate of 49.2%) for the six months ended November 26, 2011 and November 27, 2010, respectively.

The provision increased between the two years primarily because of the increase in pre-tax income resulting from the adjustment of estimated fair value of continent consideration for which a related deferred tax asset had previously been established. The provision for income taxes in the first half of fiscal 2012 and 2011 also results from taxes on income in the United States and certain other foreign jurisdictions, no benefit for losses in jurisdictions in which a full valuation allowance on operating loss carryforwards had previously been established and a lower benefit for losses in certain foreign jurisdictions with tax rates lower than the U.S. statutory rates. In addition, the inability to benefit from losses in jurisdictions with a full valuation allowance and the unpredictability of the timing and amount of eligible disqualifying incentive stock option (ISO) exercises impact the Company s effective tax rate.

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

Liquidity and Capital Resources

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

As of November 26, 2011, the Company had $120.7 million of cash, cash equivalents and short-term investments. The Company has a $3.0 million unsecured revolving credit facility with Bank of America (the Credit Agreement). The Credit Agreement allows the Company to choose the interest rate applicable to advances. The interest rate options are Bank of America s prime rate and a London Inter-Bank Offered Rate (LIBOR) plus 2.25%. Interest, if any, is payable monthly. The Credit Agreement expires November 29, 2012. As of November 26, 2011, the Company had approximately $1.3 million available under the terms of the Credit Agreement as Bank of America has issued approximately $1.7 million of outstanding letters of credit in favor of third parties related to operating leases. As of November 26, 2011, the Company was in compliance with all covenants included in the Credit Agreement.

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Operating activities provided $7.0 million in cash for the six months ended November 26, 2011 compared to $11.2 million for the six months ended November 26, 2010. Cash provided by operations in the first six months of fiscal 2012 resulted from net income of $27.9 million and non-cash items of $10.6 million, offset by net unfavorable cash changes in operating assets and liabilities of $10.3 million. In the first six months of fiscal 2011, cash provided by operations resulted from net income of $18.7 million and favorable non-cash items of $1.4 million offset by unfavorable net cash changes in operating assets and liabilities of $6.1 million. The primary cause of the unfavorable change in operating cash flows between the two years was the unfavorable change in several working capital accounts in the first six months of fiscal 2012 as compared to fiscal 2011, particularly prepaid expenses, income taxes, accounts payable and accrued salaries. Non-cash items include expense for stock-based compensation (which decreased between the two periods), the change in estimated fair value of contingent consideration (which increased between the two periods) and deferred income taxes (which increased between the two periods); these charges do not reflect an actual cash outflow from the Company.

Net cash used in investing activities was $7.4 million for the first six months of fiscal 2012 compared to of $6.3 million in the comparable prior year period. Cash used to purchase short-term investments offset cash received from the redemption of short-term investments (primarily commercial paper) in the first six months of fiscal 2012 was $5.7 million compared to $5.0 million in the first six months of fiscal 2011. Purchases of property and equipment increased by approximately $350,000 in fiscal 2012 as compared to fiscal 2011.

Net cash used in financing activities totaled $29.2 million for the six months ended November 26, 2011, compared to $5.4 million for the six months ended November 27, 2010. Proceeds from the exercise of employee stock options and issuance of shares via the Company s ESPP were $2.4 million in the first six months of fiscal 2012 versus $3.7 million in the same period of fiscal 2011. However, the Company used $27.5 million in the first six months of fiscal 2012 to purchase approximately 2.5 million shares of its common stock on the open market versus $7.3 million in the prior fiscal year to purchase approximately 558,000 shares. The Company also paid dividends on its common stock of $4.0 million in the first six months of fiscal 2012 versus $1.8 million in the corresponding period of fiscal 2011. The Company s board of directors declared a quarterly cash dividend of $0.05 per common share on November 1, 2011. The dividend of approximately $2.2 million, paid on December 21, 2011, is accrued in the Company s Consolidated Balance Sheet as of November 26, 2011 but is not included in the Statement of Cash Flows for the six months ended November 26, 2011.

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

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is contained in Note 11 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. At November 26, 2011, the Company had approximately $120.7 million of cash and cash equivalents and short-term investments. Securities that the Company has the ability and positive intent to hold to maturity are carried at amortized cost. These securities consist of commercial paper. Cost approximates fair value for these securities. The earnings on these investments are subject to changes in interest rates; however, assuming a constant balance available for investment, a 10% decline in interest rates would reduce our interest income but would not have a material impact on our consolidated financial position or results of operations.

Foreign Currency Exchange Rate Risk. For the quarter ended November 26, 2011, approximately 29.0% of the Company s revenues were generated outside of the United States. As a result, our operating results are subject to fluctuations in the exchange rates of foreign currencies in relation to the United States dollar. Revenues and expenses denominated in foreign currencies are translated into United States dollars at the monthly average exchange rates during the period. Thus, as the value of the United States 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 United States dollars at the exchange rate effective at the end of each monthly reporting period. Approximately 76.0% of our balances of cash, cash equivalents and short-term investments as of November 26, 2011 were denominated in U.S. dollars. The remainder of our cash was comprised primarily of cash balances translated from Japanese Yen, Hong Kong Dollars, Canadian Dollars or Euros. The difference resulting from the translation each period of assets and liabilities of our non-U.S. based operations are recorded in stockholders equity as a component of accumulated other comprehensive gains. Although we intend to monitor our exposure to foreign currency fluctuations, we do not currently use financial hedging techniques to mitigate risks associated with foreign currency fluctuations and we cannot assure you that exchange rate fluctuations will not adversely affect our financial results in the future.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) under the Securities and Exchange Act of 1934, as amended (the Exchange Act), the Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) as of November 26, 2011. 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 November 26, 2011. 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 November 26, 2011 that materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended May 28, 2011, which was filed with the Securities and Exchange Commission on July 26, 2011. For convenience, our updated risk factors are included below in this Item 1A. The order in which the risks appear is not intended as an indication of their relative weight or importance.

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

Beginning in fiscal 2008, the United States economy deteriorated significantly, resulting in a reduction in our revenue as clients delayed, down-sized or cancelled initiatives that required the use of professional services. Subsequently, many European and Asia Pacific countries reported significant contraction in their economies. While economic conditions in many parts of the world improved during our fiscal 2011, more recently, economic conditions across many of these regions have deteriorated and there is general uncertainty regarding the economic impact of the continuing fiscal crisis in Europe. Deterioration of the United States economy, international economies or tightening credit markets, could result in a reduction in the demand for our services and adversely affect our business in the future. In addition, the use of professional services consultants on a project-by-project basis could decline for non-economic reasons. In the event of a reduction in the demand for our consultants, our financial results would suffer.

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

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

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

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

- consulting firms;
- local, regional, national and international accounting firms;

independent contractors;

traditional and Internet-based staffing firms; and

the in-house resources of our clients.

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

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

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

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

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

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

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

Historically, we have grown by opening new offices and by increasing the volume of services provided through existing offices. During the recent economic slow-down, our revenue declined for five consecutive quarters through the first quarter of fiscal 2010. Since then we have experienced a modest growth rate. There can be no assurance that we will be able to maintain or expand our market presence in our current locations or to successfully enter other markets or locations. Our ability to continue to grow our business will depend upon an improving global economy and a number of factors, including our ability to:

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

Even if we are able to resume more rapid growth in our revenue, the growth will result in new and increased responsibilities for our management as well as increased demands on our internal systems, procedures and controls, and our administrative, financial, marketing and other resources.

For instance, a limited number of clients are requesting that certain engagements be of a fixed fee nature rather than our traditional hourly time and materials approach, thus shifting a portion of the burden of financial risk and monitoring to us. Failure to adequately respond to these new responsibilities and demands may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

- diversion of management s attention from other business concerns;
- failure to integrate the acquired company with our existing business;
- failure to motivate, or loss of, key employees from either our existing business or the acquired business;

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

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

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

- provide our consultants with either full-time or flexible-time employment;
- obtain the type of challenging and high-quality projects that our consultants seek;

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- pay competitive compensation and provide competitive benefits; and
- provide our consultants with flexibility as to hours worked and assignment of client engagements.

We cannot assure you that we will be successful in accomplishing any of these factors and, even if we are, we cannot guarantee that we will be successful in attracting and retaining the number of highly qualified and experienced consultants necessary to maintain and grow our business.

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

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

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

The management of our business is aided by the uninterrupted operation of our computer and telecommunication systems. These systems are vulnerable to security breaches, natural disasters, computer viruses, or other interruptions or damage stemming from power outages, equipment failure or unintended usage by employees. System-wide or local failures of these systems could have a material adverse effect on our business, financial condition, results of operations or cash flows.

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

The Company invests its cash, cash equivalents and short-term investments in United States treasuries and government agencies, bank deposits, money market funds, commercial paper and certificates of deposit, both in United States and foreign banks in Europe and Asia Pacific regions. Certain of these investments are subject to general credit, liquidity, market, issuer and interest rate risks. In the event these risks caused a decline in value of any of the Company s investments, it could adversely affect the Company s financial condition.

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

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

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

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

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

the entry of new competitors into any of our markets;

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

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

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

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

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

- changes in the estimates of contingent consideration and the employee portion of contingent consideration;

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

- the periodic fourth quarter consisting of 14 weeks, which next occurs during the fiscal year ending May 31, 2014.

Additionally, in accordance with generally accepted accounting principles (GAAP), we estimate and record the acquisition date fair value of contingent consideration as part of purchase price consideration for acquisitions occurring subsequent to May 30, 2009. Each reporting period, we will estimate changes in the fair value of contingent consideration and any change in fair value will be recognized in our consolidated statement of operations. Our estimate of the fair value of contingent consideration requires very subjective assumptions to be made of future operating results, discount rates and probabilities assigned to various potential operating result scenarios. Future revisions to these assumptions could materially change our estimate of the fair value of contingent consideration and therefore materially affect the Company s future financial results and financial condition.

Under the terms of our acquisition agreements for Sitrick Brincko Group, up to 20% of the contingent consideration is payable to employees of the acquired business at the end of the measurement period to the extent certain growth targets are achieved. We will record the estimated amount of the contractual obligation to pay the employee portion of the contingent consideration as compensation expense over the service period as it is deemed probable that growth targets will be achieved. Our estimate of the amount of the employee portion of contingent consideration requires very subjective assumptions to be made of future operating results. Future revisions to these assumptions could materially change our estimate of the amount of the employee portion of contingent consideration and therefore materially affect the Company s future financial results and financial condition.

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

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

Section 404 of Sarbanes requires us to evaluate periodically the effectiveness of our internal control over financial reporting, and to include a management report assessing the effectiveness of our internal controls as of the end of each fiscal year. Our management report on internal controls is contained in our Annual Report on Form 10-K for the year ended May 28, 2011. Section 404 also requires our independent registered public accountant to report on our internal control over financial reporting.

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

Although our management has determined, and our independent registered public accountant has attested, that our internal control over financial reporting was effective as of May 28, 2011, we cannot assure you that we or our independent registered public accountant will not identify a material weakness in our internal controls in the future. A material weakness in our internal control over financial reporting may require management and our independent registered public accountant to evaluate our internal controls as ineffective. If our internal control over financial reporting is not considered adequate, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price. Additionally, if our internal control over financial reporting otherwise fails to comply with the requirements of Sarbanes, our business and stock price could be adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

- allow our directors, not our stockholders, to fill vacancies on our board of directors; and provide that the authorized number of directors may be changed only by resolution of the board of directors.

The Company s board of directors has adopted a stockholder rights plan, which is described further in Note 11 *Stockholders Equity* of the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended May 28, 2011. The existence of this rights plan may also have the effect of delaying, deferring or preventing a change of control of the Company or our management by deterring acquisitions of our stock not approved by our board of directors.

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

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

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As a result of the adoption of the required accounting for stock-based compensation, our earnings are lower than they would have been. There also is variability in our net income due to the timing of the exercise of options that trigger disqualifying dispositions which impact our tax provision. This will continue to be the case for future periods. We cannot predict the effect that this adverse impact on our reported operating results will have on the trading price of our common stock.

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

On July 20, 2010, our board of directors announced the establishment of a quarterly dividend, subject to quarterly board of director approval, of $0.04 per share (increased to $0.05 per common share with the dividend announcement on August 2, 2011). The payment of, or continuation of, the quarterly dividend will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements, general business conditions, potential future contractual restrictions contained in credit agreements and other agreements and other factors deemed relevant by our board of directors. We can give no assurance that dividends will be declared and paid in the future. The failure to pay the quarterly dividend or the discontinuance of the quarterly dividend could adversely affect the trading price of our common stock.

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

We believe that establishing, maintaining and enhancing the Resources Global Professionals brand name is essential to our business. We have applied for United States and foreign registrations on this service mark. We have previously obtained United States registrations on our Resources Connection service mark and puzzle piece logo, Registration No. 2,516,522 registered December 11, 2001; No. 2,524,226 registered January 1, 2002; and No. 2,613,873, registered September 3, 2002, as well as certain foreign registrations. We had been aware from time to time of other companies using the name Resources Connection or some variation thereof and this contributed to our decision to adopt the operating company name of Resources Global Professionals. We obtained United States registration on our Resources Global Professionals service mark, Registration No. 3,298,841 registered September 25, 2007. However, our rights to this service mark are not currently protected in some of our foreign registrations, and there is no guarantee that any of our pending applications for such registration (or any appeals thereof or future applications) will be successful. Although we are not aware of other companies using the name Resources Global Professionals at this time, there could be potential trade name or service mark infringement claims brought against us by the users of these similar names and marks and those users may have service mark rights that are senior to ours. If these claims were successful, we could be forced to cease using the service mark Resources Global Professionals even if an infringement claim is not brought against us. It is also possible that our competitors or others will adopt service names similar to ours or that our clients will be confused by another company using a name, service mark or trademark similar to ours, thereby impeding our ability to build brand identity. We cannot assure you that our business would not be adversely affected if confusion did occur or if we were required to change our name.

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

In April 2011, the board of directors approved a stock repurchase program, authorizing the purchase of common stock, at the discretion of the Company s senior executives, for an aggregate dollar limit not to exceed $150 million (the April 2011 program). The April 2011 program commenced in July 2011 when the previous program s authorized limit had been met. The table below provides information regarding stock purchases made during the second quarter of fiscal 2012 under our stock repurchase programs.

Period	September 30, Total Number of Shares Purchased	September 30, Average Price Paid per Share	September 30, Total Number of Shares Purchased as Part of Publicly Announced Program	September 30, Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
August 28, 2011 September 24, 2011		$		$ 135,528,244
September 25, 2011 October 22, 2011	545,000	$ 10.56	545,000	$ 129,771,818
October 23, 2011 November 26, 2011	457,200	$ 11.26	457,200	$ 124,621,730
Total August 28, 2011 November 26, 2011	1,002,200	$ 10.88	1,002,200	$ 124,621,730

Item 6. Exhibits

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

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SIGNATURES

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

	RESOURCES CONNECTION, INC.
Date: January 5, 2012	/s/ Donald B. Murray
	Donald B. Murray Executive Chairman and Chief Executive Officer
	(Principal Executive Officer)
Date: January 5, 2012	/s/ Nathan W. Franke
	Nathan W. Franke Chief Financial Officer and Executive Vice President
	(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit No.	Description
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.

Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.