RCM TECHNOLOGIES INC

FORM 10-K
(Annual Report)

Filed 1/13/1999 For Period Ending 10/31/1998

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Industry	Business Services
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended October 31, 1998
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from .... to ....
Commission file number 1-10245

RCM TECHNOLOGIES, INC.
Exact name of Registrant as specified in its charter
Nevada 95-1480559
State of incorporation IRS Employer Identification No.

2500 McClellan Avenue, Suite 350, Pennsauken,
New Jersey 08109-4613 Address of principal executive offices

Registrant's telephone number, including area code: (609) 486-1777

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

Title of each class on which registered	Name of each exchange
None	None

Securities registered pursuant to Section 12(g) ofthe Act:
Common Stock, par value $.05
(Title of Class)

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 X NO

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of Common Stock held by non-affiliates (all persons other than executive officers or directors) of the Registrant on January 11, 1999 was approximately $240,600,000 based upon the closing sale price per share of the Common Stock on such date on The Nasdaq National Market of $23.13. The information provided shall in no way be construed as an admission that any person whose holdings are excluded from the figure is an affiliate or that any person whose holdings are included is not an affiliate and any such admission is hereby disclaimed. The information provided is included solely for record keeping purposes of the Securities and Exchange Commission.

The number of shares of Registrant's Common Stock (par value $.05 per share) outstanding as of January 11, 1999: 10,475,576.

Documents Incorporated by Reference

Portions of the Proxy Statement for the Registrant's 1999 Annual Meeting of Stockholders ("1999 Proxy Statement") are incorporated by reference into Items 10,11,12 and 13 in Part III. The 1999 Proxy Statement has not been filed as of the date of filing of this Annual Report on Form 10-K.

Cautionary Statement for Purposes of the "Safe Harbor" of the Private Securities Litigation Reform Act of 1995

Certain statements included herein and in other Company reports and public filings are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that such forward-looking statements, which may be identified by words such as "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are only predictions and are subject to risks and uncertainties that could cause the Company's actual results and financial position to differ materially in such forward-looking statements. Such risks and uncertainties include, without limitation: (i) unemployment and general economic conditions associated with the placement of temporary staffing personnel; (ii) the Company's ability to continue to attract, train and retain personnel qualified to meet the staffing requirements of its clients; (iii) the Company's ability to identify appropriate acquisition candidates, complete such acquisitions and successfully integrate acquired businesses; (iv) uncertainties regarding proforma financial information and the underlying assumptions relating to acquisitions and acquired businesses; (v) possible adverse effects on the market price of the Company's Common Stock due to the resale into the market of significant amounts of Common Stock; (vi) the potential adverse effect a decrease in the trading price of the Company's Common Stock would have upon the Company's ability to acquire businesses through the issuance of its securities; (vii) the Company's ability to obtain financing on satisfactory terms; (viii) the reliance of the Company upon the continued service of its executive officers; (ix) the Company's ability to remain competitive in national, regional and local markets; (x) the Company's ability to retain several of its key clients; (xi) the Company's ability to maintain its unemployment insurance premiums and workers compensation premiums; (xii) the risk of claims made against the Company associated with providing temporary staffing services; (xiii) the Company's ability to manage significant amounts of information, and periodically expand and upgrade its information processing capabilities; (xiv) the Company's ability to remain in compliance with federal and state wage and hour laws and regulations; and (xv) other economic, competitive and governmental factors affecting the Company's operations, market, products and services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. The Company undertakes no obligation to publicly release the results of any revision of these forward-looking statements to reflect these ends or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

PART I

Item 1. Business

GENERAL

The Company is a multi-regional provider of information technology and other professional staffing services through its 53 branch offices located in 21 states. The Company's Information Technology Group offers responsive, timely and comprehensive information technology staffing solutions to support the entire systems applications development and implementation process. The Company's information technology professionals have expertise in a variety of technical disciplines, including enterprise software, network communications, database design and development and client server migration. The Company also offers professional engineering staffing and project management services, through its Professional Engineering Group, for a variety of engineering disciplines, such as aeronautical, electro-mechanical, nuclear and computer science. The Company is also engaged in the specialty healthcare and general support sectors of the staffing industry. Representative customers include AT&T, Bell Atlantic, Chase Manhattan Bank, Liberty Mutual Insurance, MCI, Merck, Merrill Lynch, Northeast Utilities and 3M.

INDUSTRY OVERVIEW

The staffing industry has experienced rapid growth in recent years. According to Staffing Industry Report, revenues in the domestic temporary staffing industry have grown from $24.6 billion in 1992 to an estimated $53.7 billion in 1997, a five-year compound annual growth rate of 17%. This growth has been driven by a change in the role of temporary staffing in corporations. Initially thought of as a short-term solution for peak production periods and as a temporary replacement for full-time personnel, the staffing industry is now considered an effective tool for helping companies manage their investment in human resources. Companies now use temporary personnel for varying lengths of time to respond to increasingly complex assignments. The shift towards contract personnel allows companies to expand and contract employee levels based on current needs, thus converting fixed labor costs into controllable variable costs while still maintaining a high degree of employee skill level. Relying on temporary staffing companies also reduces the costs associated with recruiting, training and terminating employees. In addition, changing government regulations concerning such items as employee benefits, health insurance and retirement plans have significantly increased employment costs related to permanent employees. In response, an increasing number of companies are turning to temporary staffing as a method of maintaining high employee skill level while controlling labor costs.

According to Staffing Industry Report, information technology is the fastest growing sector within the temporary staffing industry, growing at a 24% five-year compound annual growth rate from 1992 to 1997. In recent years, businesses have become increasingly dependent on the use of computer systems to manage operations, automate routine tasks and disseminate information throughout the company. As companies have increased their investments in technology in order to remain competitive, the complexity and rapid development of new technologies have driven the need for increased levels of technical support. Faced with the challenge of developing and supporting these updated systems, companies are turning to information technology staffing services to provide technical support. Utilizing outside information technology personnel allows a company to focus on core operations, minimize its investment in its internal information technology workforce and obtain technical support from professionals with expertise in current technologies.

The staffing industry is highly fragmented, with over 7,000 companies in the United States. The industry is currently experiencing a trend toward consolidation as large companies seek to reduce the number of vendors and look to staffing companies that offer a wide range of services over a broad geographic area. In addition, the demand for employees skilled in new technologies exceeds the supply of qualified personnel. As employers find it more difficult to locate full-time candidates with special skills, they increasingly turn to temporary staffing companies to fill these needs. The Company believes these industry conditions are making it more difficult for small staffing companies to compete due to limited recruiting and placement capabilities, limited working capital and limited management resources. These factors are expected to accelerate the industry's consolidation trend.

BUSINESS STRATEGY

RCM is dedicated to providing solutions to meet its customers' information technology and other professional staffing needs. The Company's objective is to be a leading provider of these specialty professional staffing services in selected regions throughout the United States. The Company has developed interrelated growth and operating strategies to achieve this objective. Key elements of its growth and operating strategies are as follows:

GROWTH STRATEGY

Focus on Information Technology and Other Professional Staffing Services. The Company will continue to focus on providing information technology staffing services, the fastest growing sector of the temporary staffing industry, as well as other professional staffing services. According to Staffing Industry Report, revenues from information technology staffing services grew at a 24% five-year compound annual growth rate from 1992 through 1997. In addition to high growth rates, the Company believes that information technology and other professional staffing services offer more attractive profit margins than traditional staffing services. As the Company has transitioned its business mix to information technology and other professional staffing services, and away from general support staffing, it has experienced substantial margin improvement. The Company's operating profit margin for the year ended October31, 1998 was 8.2% as compared to 3.2% in fiscal 1995, when approximately half of the Company's revenue was derived from general support staffing and the Company did not offer information technology staffing services. The Company also believes that information technology and other professional staffing services are less cyclical than traditional staffing services.

Strengthen Market Presence in Selected Regions Throughout the Country. The Company believes that a substantial amount of the total market for information technology and other professional staffing services is located in certain high growth regions in the United States. The Company's strategy is to expand into, and strengthen its existing presence in, such high density, high growth regions. Once established in a region, the Company concentrates on local and regional accounts, as opposed to national accounts, and therefore competes primarily against local and regional staffing companies with limited services, resources and capabilities. The Company utilizes its mix of information technology and other professional service offerings, recruiting and placement capabilities and financial resources to distinguish itself from its competition and to achieve significant customer penetration and retention. The Company enters new regions by acquiring strong local or regional companies and improving their ability to compete through the addition of the Company's resources.

Continue Strategic Acquisitions. The Company has acquired 18 information technology and other professional staffing companies since the beginning of fiscal 1996. The staffing industry continues to be highly fragmented, and the Company plans to continue its aggressive acquisition program. The Company's acquisition strategy is designed to strengthen its presence in its existing markets, expand into new geographic regions and add complementary service offerings or offer new professional staffing services. In targeting acquisitions, the Company focuses on companies with (i) annual revenues of $35 million or less, (ii) a history of profitable operations and experienced management personnel, (iii) substantial growth prospects and (iv) sellers who desire to join the Company's management team. To retain and provide incentives for management of its acquired companies, the Company typically structures a significant portion of the acquisition price in the form of multi-tiered consideration based on growth of operating profitability of the acquired company over a two to three-year period. The Company believes its success in completing acquisitions is due to its entrepreneurial and decentralized operating philosophy, its strong corporate-level support and resources, its status as a public company and its ability to offer management of the acquired companies an opportunity to join and participate in the growth of a rapidly growing provider of information technology and other professional staffing services.

GROWTH STRATEGY - (Continued)

Promote Internal Growth. The Company is experiencing strong internal growth. For the year ended October 31, 1998, the Company's internal revenue growth was 26% over the comparable prior-year period. The Company believes its high levels of internal growth are a result of the Company's transition to information technology and other professional staffing services, its location in strong operating regions and its strategy of acquiring companies with strong growth prospects and integrating their administrative functions to permit management to focus on increasing sales. The Company plans to maintain high levels of internal growth by increasing sales to existing customers, developing new customer relationships and cross-selling its professional staffing services. The Company believes approximately 50% of its current customers are users of both outsourced information technology and professional engineering services. The Company has increased its efforts to cross-sell its information technology and professional engineering services. As an example of cross-selling, the Company has successfully provided the services of its Information Technology Group to the utility industry customer base of its Professional Engineering Group.

Migrate Product Offerings to Higher Value Added Services. The Company's strategic transition to a provider of information technology and other professional staffing services was designed to move the Company into higher growth and higher margin sectors of the staffing industry. For the year ended October 31, 1998, 86% of the Company's revenues were generated by information technology and professional engineering staffing services. The Company believes it now has the opportunity to offer higher value-added services such as project management and consulting services to its professional staffing services customer base. The Company currently derives a substantial percentage of its professional engineering services revenues from project management work. The Company plans to use the project management expertise of its Professional Engineering Group to assist its Information Technology Group in expanding its sales of higher margin consulting and project management services. The billing rates and profit margins for project work and consulting services are higher than those received for staffing services. The Company intends to achieve this migration to higher value-added services through the internal sharing of its engineering project management expertise as well as through acquisitions.

ACQUISITION PROGRAM

Since fiscal 1996, the Company has pursued an aggressive growth strategy designed to transition the Company's business from general support staffing to higher growth, higher margin professional staffing services, particularly information technology. The Company has implemented this strategy through the acquisition of 18 information technology or professional engineering staffing services companies, aggregating $158.1 million in revenues for their respective latest twelve months prior to the acquisition. Through these acquisitions, the Company has achieved substantial revenue growth, improved its operating profitability and repositioned itself as a provider of information technology and other professional staffing services. A key element of the Company's growth strategy is to continue to pursue strategic acquisitions. The Company believes that its success in completing acquisitions is due to its entrepreneurial and decentralized operating philosophy, its strong corporate-level support and resources, its status as a public company and its ability to offer management of the acquired companies an opportunity to join and participate in the growth of a rapidly growing provider of information technology and other professional staffing services. See "Business -- Growth Strategy."

ACQUISITION PROGRAM - (Continued)

The following table provides a summary of the acquisitions completed by the Company since fiscal 1996:

DATE ACQUIRED	COMPANY	NUMBER OF OFFICES	HEADQUARTERS	SERVICES (1)	REVENUES (2)
					(IN MILLIONS)
3/11/96	The Consortium	5	Fairfield, NJ	IT, SH, GS	26.0
5/1/96	The Consortium of Maryland, Inc.	1	Bethesda, MD	IT	5.6
9/13/96	Performance Staffing, Inc.	4	Louisville, KY	PE	2.3
11/4/96	Programming Alternatives of Minnesota, Inc.	2	Minneapolis, MN	IT	9.4
4/1/97	Programming Resources Unlimited	1	Wayne, PA	IT	2.4
8/4/97	Camelot Contractors Limited	1	Manchester, NH	IT	16.2
9/29/97	Austin Nichols Technical Temporaries, Inc.	1	Kansas City, MO	IT, PE	4.9
9/29/97	J.D. Karin Consulting Services, Inc.	1	Flanders, NJ	IT	4.9
1/4/98	Northern Technical Services, Inc.	3	Milwaukee, WI	IT	12.6
2/2/98	Staffworks, Inc.	2	Stanhope, NJ	IT	12.6
2/2/98	Global Technology Solutions, Inc.	1	Sacramento, CA	IT	5.5
7/1/98	Software Analysis & Management Company, Inc.	10	Orange, CA	IT	19.6
8/1/98	Integrity Systems Professionals, Inc.	2	Grand Rapids, MI	IT	3.0
9/15/98	Systems Group, Inc.	1	Minneapolis, MN	IT	10.0
10/15/98	BIT Consulting, Inc.	1	Philadelphia, PA	IT	4.4
* 11/1/98	Insight Consulting Group, Inc.	1	Morristown, NJ	IT	3.0
* 11/15/98	Procon Inc.	3	Detroit, MI	IT	12.2
* 12/1/98	Encompass Business Solutions	1	Huntington Beach, CA	IT	3.5
		41			$158.1
		==			======

* Completed after fiscal 1998

(1) Services provided are abbreviated as follows:

IT - Information Technology PE - Professional Engineering SH - Specialty Healthcare GS - General Support

(2) Represents approximate revenues in the latest 12 months prior to the date of acquisition.

OPERATING STRATEGY

Foster a Decentralized Entrepreneurial Environment. A key element of the Company's operating strategy is to foster a decentralized, entrepreneurial environment for its employees. The Company fosters this environment by continuing to build on the names, reputations and customer relationships of acquired companies and by sharing their operating policies, procedures and expertise with other branch locations to develop new ideas to best serve the prospects of the Company. The Company believes an entrepreneurial business atmosphere allows its branch offices to quickly and creatively respond to local market demands and enhances the Company's ability to motivate, attract and retain managers to maximize growth and profitability.

Develop and Maintain Strong Customer Relationships. The Company seeks to develop and maintain strong interactive customer relationships by anticipating and focusing on its customers' needs. The Company emphasizes a relationship- oriented approach to business, rather than the transaction or assignment-oriented approach used by many of its competitors. To develop close customer relationships, the Company's branch managers regularly meet with both existing and prospective clients to help design solutions for, and identify the resources needed to execute, their strategies. The Company's branch managers also maintain close communications with their customers during each project and on an ongoing basis after its completion. The Company believes that this relationship-oriented approach results in greater customer satisfaction and reduced business development expense. Additionally, the Company believes that by partnering with its customers to design flexible staffing programs that can be expanded, contracted or redirected into other specialty areas, it can generate new opportunities to service their staffing requirements. The Company focuses on providing customers with qualified individuals compatible with the needs of such customers and makes a concerted effort to follow the progress of such relationships to ensure their continued success.

Attract and Retain High Quality Contract and Temporary Personnel. The Company believes it has been successful in attracting and retaining qualified contract and temporary personnel by (i) providing stimulating and challenging work assignments, (ii) offering competitive wages, (iii) effectively communicating with its candidates, (iv) providing training to maintain and upgrade skills and (v) aligning the needs of its customers with the appropriately skilled personnel. The Company has been successful in retaining qualified contract and temporary personnel due in part to its use of qualified personnel designated as "ombudsmen" who are dedicated to maintaining contact with, and monitoring the satisfaction levels of, the Company's contract and temporary personnel, while they are on assignment.

Centralize Administrative Functions. The Company seeks to maximize its operational efficiencies by integrating general and administrative functions at the corporate level, and reducing or eliminating redundant functions and facilities at acquired companies, typically within three months of an acquisition. This enables the Company to quickly realize potential savings and synergies, efficiently control and monitor its operations and allows acquired companies to focus on growing their sales and operations.

OPERATIONS

The Company provides information technology and other professional staffing services through the following groups: Information Technology, Professional Engineering, General Support and Specialty Healthcare.

INFORMATION TECHNOLOGY

The Company's Information Technology Group offers responsive, timely and comprehensive information technology staffing solutions to support the entire systems applications development and implementation process. The Company's information technology professionals have expertise in a variety of technical disciplines, including enterprise software, network communications, database design and development and client server migration.

In the course of a customer's systems applications project, the Information Technology Group may prepare project plans, assist users in defining high level functional specifications, perform system analysis and detailed design, select and configure hardware, create custom application programs, develop migration plans to move to a new operating platform or system, install and test the system, obtain user acceptance, draft user documentation, train the customer's employees to use the system and support, maintain and fine-tune the system on an ongoing basis. In addition, the Information Technology Group supports a wide variety of operating systems, programming languages, software tools and database management applications, including UNIX, Windows, Solaris, Novell, Netware, Sybase, Informix, Lotus Notes, Clipper, Visual Basic, Visual C++, Cobol II, CICS and Fortran. The Company believes that its ability to provide information technology staffing for a full range of such services provides an important competitive advantage. The Company also strives to ensure that its consultants have the expertise and skills needed to keep pace with rapidly evolving information technologies.

Customers typically require the Company's services in order to fill gaps in their range of professional staffing needs or to augment existing personnel in response to expanded business needs. Engagements average in duration from three to 12 months. The following are examples of the types of services that were provided by the Company's Information Technology Group as of the date of the filing of this Report:

o The Company provided 20 professionals to a large HMO to provide system development, implementation, support, project management and training for remote access capability. This system enables the HMO's remote personnel and customers to access the HMO's main computing systems. The Company is currently providing eight network engineers to develop and implement a new high security firewall for the HMO's external network and computing systems.

INFORMATION TECHNOLOGY - (Continued)

o The Company provided five professionals to a major Mid-Atlantic utility for a project designed to improve internet and intranet connectivity through site evaluation and design, including security analysis, installation and support to ensure fully functional transitions. This relationship was developed through the Company's Professional Engineering Group.

o The Company provided 20 programming professionals to a multi-national bank holding company to write custom software for a variety of business analysis and programming applications. These programs are being developed to conform to a number of different platforms and environments, including IBM mainframe, UNIX, AS400, OS2 and Novell.

o The Company provided 25 professionals to a national communications conglomerate to evaluate the viability and advisability of downsizing an application to the client/server platform. The engagement entailed analyzing the system against requirements, surveying system users to assess satisfaction, assessing the system's suitability for client server implementation, and preliminary evaluation of off-the-shelf systems.

As of October 31, 1998, approximately 1,400 information technology personnel were employed by the Company.

PROFESSIONAL ENGINEERING

The Professional Engineering Group provides personnel to perform project engineering, computer aided design, and other technical services either at the site of the customer or, less frequently, at the Company's own facilities. Representative services include utilities process and control, electrical engineering design, system engineering design and analysis, mechanical engineering design, procurement engineering, civil structural engineering design, computer aided design and code compliance. The Professional Engineering Group has also developed an expertise in providing engineering, design and technical services to many customers in the aeronautical, paper and paper products manufacturing industries and the nuclear power, fossil fuel and electric utility industries.

The Company believes that the deregulation of the utilities industry and the aging of nuclear power plants offer the Company an opportunity to capture a significant share of professional staffing and project management requirements of the utilities industry both in professional engineering services and through cross-selling of its information technology services. Heightened competition, deregulation and rapid technological advances are forcing the utilities industry to make fundamental changes in its business process. These pressures have compelled the utilities industry to focus on internal operations and maintenance activities and to increasingly outsource their personnel requirements. Additionally, the Company believes that increased performance demands from deregulation should increase the importance of information technology to this industry. The Company believes that its expertise and strong relationships with certain customers within the utilities industry position the Company to be a leading provider of professional services to the utilities industry.

The engagements of the Professional Engineering Group generally vary in duration from three to 12 months. The following are examples of the types of services that were provided by the Company's Professional Engineering Group as of the date of the filing of this Report:

o The Company provided 50 contract engineers to a New England utility involved in the restart of three major electrical generating stations. The Company's engineers are reviewing platform design documentation, updating safety analysis reports and establishing and documenting correct plant configuration to be in accordance with applicable regulatory requirements.

o The Company provided 30 engineers to a major Canadian power producer who recently initiated a long-term organizational and plant improvement program. The Company's engineers are providing their expertise in the areas of regulatory compliance, performance assurance and emergency planning. As a result of this initial engagement, the Company also placed several information technology professionals with this Canadian power provider.

PROFESSIONAL ENGINEERING - (Continued)

o The Company provided 30 engineers to a large manufacturer of personal hygiene and tissue products. The Company's engineers are designing mill equipment used to convert paper into products and assisting with evaluating configuration of management processes to install, operate and support production facilities.

o The Company provided five engineers to a major Mid-Atlantic based telecommunications company to provide telecommunication systems redesign. This relationship was developed through the Company's Information Technology Group.

As of October 31, 1998, approximately 500 engineering personnel were employed by the Company.

GENERAL SUPPORT

The General Support Group provides contract and temporary services, as well as permanent placement services, for full time and part time personnel in a variety of functional areas, including office, clerical, data entry, secretarial, light industrial, shipping and receiving and general warehouse. Contract and temporary assignments range in length from less than one day to several weeks or months. The General Support Group has been awarded multi-year contracts by such customers as AT&T, First National Bank of Chicago, Mellon Bank and Sears.

SPECIALTY HEALTHCARE

The Specialty Healthcare Group provides skilled, licensed healthcare professionals, primarily physical therapists, occupational therapists and speech language pathologists. The Specialty Healthcare Group provides services to hospitals, nursing homes, pre-schools, sports medicine facilities and private practices. Services include: in-patient, out-patient, subacute and acute care, rehabilitation, geriatric, pediatric and adult day care. The Specialty Healthcare Group does not provide nursing or home healthcare services. Typical engagements range either from three to six months or are on a day-to-day shift basis.

BRANCH OFFICES

The Company's branch organization consists of four operating regions with 53 offices located in 21 states. The region of, and services provided by, each branch office are set forth in the table below.

REGION	NUMBER OF OFFICES	SERVICES PROVIDED(1)
NORTHEAST		
Connecticut	3	PE, GS
Maryland	1	IT
New Hampshire	1	IT
New Jersey	9	IT, PE, SH, GS
New York	2	IT, PE, SH
Pennsylvania	5	IT, PE, GS
	21	
MIDWEST		
Indiana	1	GS
Kentucky	2	PE, GS
Michigan	3	IT, PE
Minnesota	2	IT
Missouri	1	IT, PE
Wisconsin	3	IT, PE
	12	
SOUTHEAST		
Alabama	1	IT
Georgia	1	PE
North Carolina	1	PE
South Carolina	1	PE
Virginia	1	IT
	5	
WEST		
Arizona	2	IT, PE
Colorado	1	IT
Nevada	1	IT
Northern California	2	IT
Southern California	9	IT, GS
	15	

(1) Services provided are abbreviated as follows:

- IT -- Information Technology
- PE -- Professional Engineering
- SH -- Specialty Healthcare
- GS -- General Support

Branch offices are primarily located in regions which the Company believes have strong growth prospects for information technology and other professional staffing services. The Company's branches are operated in a decentralized, entrepreneurial manner with each branch office as an independent profit center. The Company's branch managers are given significant autonomy in the daily operations of their respective offices and, with respect to such offices, are responsible for overall guidance and supervision, budgeting and forecasting, sales and marketing strategies, pricing, hiring and training. Branch managers are paid on a performance-based compensation system designed to motivate the managers to maximize growth and profitability.

BRANCH OFFICES - (Continued)

The Company believes that a substantial portion of the buying decisions made by users of information technology and other professional staffing services are made on a local or regional basis and that the Company's branch offices most often compete with local and regional providers. Since the Company's branch managers are in the best position to understand the local and regional information technology and other professional staffing markets, and customers often prefer local providers, the Company believes that a decentralized operating environment maximizes operating performance and contributes to employee and customer satisfaction.

From its headquarters in Pennsauken, New Jersey, the Company provides its branch offices with centralized administrative, marketing, finance and legal support. Centralized administrative functions minimize the administrative burdens on branch office managers and allow them to spend more time focusing on sales and marketing activities. The Company believes that its ability to rapidly integrate the administrative functions of its acquisitions has greatly enhanced its internal growth.

The Company's branch managers report to product-line general managers. General managers meet with branch managers on a regular basis to identify "best practices" for the various sales and marketing and recruiting processes and assist the branch managers in implementing these best practices. The Company's branch managers meet every three to six months to discuss "best practices" and ways to increase the Company's cross-selling of its professional services.

SALES AND MARKETING

Sales and marketing efforts are conducted at the local and regional level through the Company's network of branch offices. The Company emphasizes long-term personal relationships with customers which are developed through regular assessment of customer requirements and proactive monitoring of personnel performance. The Company's sales personnel make regular visits to existing and prospective customers. New customers are obtained through active sales programs and referrals. The Company encourages its employees to participate in national and regional trade associations, local chambers of commerce and other civic associations. The Company seeks to develop strategic partnering relationships with its customers by providing comprehensive staffing solutions for all aspects of a customer's information technology and other professional staffing needs. The Company also concentrates on providing carefully screened professionals with the appropriate skills in a timely manner and at competitive prices. The Company constantly monitors the quality of the services provided by its personnel and obtains feedback from its customers as to their satisfaction with the services provided.

Representative customers include AT&T, Bell Atlantic, Chase Manhattan Bank, Liberty Mutual Insurance, MCI, Merck, Merrill Lynch, Northeast Utilities and 3M. Although the Company serves numerous Fortune 500 companies, the Company's relationships with these customers is typically formed at the local or regional level as the Company does not actively solicit national contracts, which typically have lower margins.

During fiscal 1998, no one customer accounted for more than 5% of the Company's revenues. The Company's five and ten largest customers accounted for approximately 14.9% and 22.4%, respectively, of the Company's revenues for fiscal 1998.

RECRUITING AND TRAINING

The Company devotes a significant amount of time and resources, primarily at the branch level, to locating, training and retaining its professional staffing personnel. Full-time recruiters utilize the Company's proprietary database of available personnel, which is cross-indexed by skill to match potential candidates with the specific requirements of the customer. The qualified personnel in the databases are identified through numerous activities, including networking, referrals, the internet, job fairs, newspaper and trade journal advertising, attendance at industry shows and presentations. The Company also has several recruiters dedicated to recruiting highly skilled, highly sought-after information technology personnel from international locations such as Australia, Canada, England, India, Mexico, New Zealand, South Korea and other European and Southeast Asian countries. International recruits are available to all branch office locations through the Company's corporate headquarters.

RECRUITING AND TRAINING - (Continued)

The Company routinely performs verification of education and employment, as well as personal and professional reference checks. As potential candidates are identified, each individual participates in an extensive qualification process. An in-house interview of the candidate is typically conducted by both the recruiting and sales staff and candidates are evaluated and qualified by a member of the Company's technical staff. Upon placement with the appropriate customer, the employee is continually monitored and supervised to ensure competent, timely and professional performance. Regular on-site visits by the Company's representatives are made and the employees and their supervisors are contacted. Professionals complete weekly status reports which are signed by their supervisors and report regularly on the status of their projects in order to identify and eliminate potential problems and issues which may arise. Exit interviews are conducted upon completion of an assignment and the customer is invited to confirm that all parties are satisfied with the work completed. The Company also offers educational programs to upgrade the skills of its personnel, particularly within its Information Technology Group.

The Company believes that a significant element to the Company's success in retaining qualified contract and temporary personnel is the Company's use of "ombudsmen." Ombudsmen are qualified Company personnel dedicated to maintaining contact with, and monitoring the satisfaction levels of the Company's contract and temporary personnel, while they are on assignment.

INFORMATION SYSTEMS

The Company has invested, and intends to continue to invest, substantial resources to develop systems that will enable it to deliver quality financial and operating data to management, provide timely and accurate customer billing and centrally manage its operations. The Company's internal information system is linked to all of the Company's offices. This system supports Company-wide operations such as payroll, billing, accounting and sales and management reports. Additionally, each of the four service groups has separate databases to permit efficient tracking of available personnel on a local basis. These databases facilitate efficient matching of customers' requirements with available temporary staffing personnel. For acquired companies, administrative functions are integrated into the Company's information system and personnel databases are updated accordingly. The Company typically completes this process within three months of the acquisition.

The Company is in the process of installing a state-of-the art enterprise wide financial reporting system. The new system is year 2000 compliant and will expand management reporting capabilities and provide the flexibility necessary for the Company's acquisition strategy.

COMPETITION

The staffing industry is highly competitive and fragmented, consisting of more than 7,000 companies. There are limited barriers to entry and new competitors frequently enter the market. The Company's principal competitors are generally local or regional independent staffing companies that are located in the Company's various regional markets. The Company also encounters competition from international and national companies. Certain of the Company's competitors have more established operations and greater marketing, financial and other resources than the Company.

Additionally, the Company competes for suitable acquisition candidates based on its entrepreneurial and decentralized operating philosophy, its strong corporate-level support and resources, its status as a public company and its ability to offer management of the acquired companies an opportunity to participate in the growth of a rapidly growing provider of information technology and other professional staffing services.

EMPLOYEES

As of October 31, 1998, the Company employed on its permanent staff approximately 367 persons, including licensed professional engineers who, from time to time, participate in engineering and design projects undertaken by the Company. During the twelve months ended October 31, 1998, approximately 1,350 engineering and technical personnel and 2,600 information technology personnel were employed by the Company to work on client projects for various periods of time. The Company also employed approximately 10,200 temporary personnel during the year. None of the Company's employees, including its temporary employees, are represented by a collective bargaining agreement. The Company considers its relationship with its employees to be good.

Item 2. Properties

As of October 31, 1998, the Company provided specialty professional staffing services through 53 offices in 21 states. Typically, these offices consist of 1,500 to 2,500 square feet and are leased by the Company for terms of one to three years. Offices in larger or smaller markets may vary in size from the typical office. The Company does not expect that maintaining or finding suitable lease space at reasonable rates in its markets or in areas where the Company contemplates expansion will be difficult.

The Company's executive and administrative offices are located at 2500 McClellan Avenue, Suite 350, Pennsauken, New Jersey 08109-4613. These premises consist of approximately 9,100 square feet and are leased at a rate of $11.50 per square foot per month for a term ending on January 31, 2003.

Item 3. Legal Proceedings

On November 6, 1998, Barry Meyers and Martin Blaire, two former officers and directors of the Company, filed suit against the Company in the Superior Court for the State of New Jersey, Law Division, Bergen County, alleging wrongful termination of their employment, failure to make severance payments, wrongful conduct by the Company in connection with the grant of Stock Options to the plaintiffs and wrongfully limited the number of shares of Company stock that could be sold by the plaintiffs. The suit asks for damages of approximately $471,000 plus other unspecified amounts. Management believes the suit is without merit and intends to defend the claim vigorously.

From time to time, other disagreements with individual employees and disagreements as to the interpretation, effect or nature of individual agreements arise in the ordinary course of business and may result in legal proceedings being commenced against the Company. Other than as set forth above, the Company is not currently involved in any litigation or proceedings which are material, either individually or in the aggregate, and, to the Company's knowledge, no other legal proceedings of a material nature involving the Company are currently contemplated by any individuals, entities or governmental authorities.

The principal risks that the Company insures against are workers' compensation, personal injury, property damage, professional malpractice, errors and omissions, and fidelity losses. The Company maintains insurance in such amounts and with such coverages and deductibles as management believes are reasonable and prudent.

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

There were no matters submitted to the vote of security holders during the fourth quarter ended October 31, 1998.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock is traded on the Nasdaq National Market under the Symbol "RCMT". Prior to June 10, 1997, the Company's Common Stock was traded on The Nasdaq SmallCap Market. The following table sets forth approximate high and low sales prices by fiscal quarters for the periods indicated, as reported by the market on which it was traded:

	Common Stock High	Common Stock Low
Fiscal 1997		
First Quarter	$ 10.38	$ 7.00
Second Quarter	9.75	6.25
Third Quarter	11.75	6.88
Fourth Quarter	16.63	11.88
Fiscal 1998		
First Quarter	$ 18.50	$ 14.38
Second Quarter	30.13	16.13
Third Quarter	26.75	17.38
Fourth Quarter	18.25	10.75

Holders

As of January 11, 1999, the approximate number of holders of record of the Company's Common Stock was 1,440. Based upon the requests for proxy information in connection with the Company's most recent Annual Meeting of Stockholders, the Company believes the number of beneficial owners of its Common Stock exceeds 5,900.

Dividends

The Company has never declared or paid a cash dividend on the Common Stock and does not anticipate paying any cash dividends in the foreseeable future. It is the current policy of the Company's Board of Directors to retain all earnings to finance the development and expansion of the Company's business. Any future payment of dividends will be at the discretion of the Board of Directors and will depend upon, among other things, the Company's earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions and other factors that the Board of Directors deems relevant. The revolving credit facility (the "Revolving Credit Facility") which the Company maintains with Mellon Bank, N.A. prohibits the payment of dividends or distributions on account of the capital stock without the prior consent of Mellon Bank, N.A.

Item 6. Selected Consolidated Financial Data

The selected historical consolidated financial data was derived from the Company's Consolidated Financial Statements. The selected historical consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company, and notes thereto, included elsewhere herein. The pro forma consolidated financial data gives effect to the acquisition of all businesses acquired by the Company through December 31, 1998, as if such acquisitions were completed as of November 1, 1997. The pro forma results of operations are not necessarily indicative of the results that would have occurred had the acquisitions been consummated as of the beginning of the period or that might be attained in the future.

	Pro Forma	Years Ended October 31,				
	1998	1998	1997	1996	1995	1994
Income Statement						
Revenues	$252,413,000	$201,452,318	$113,959,093	$61,039,173	$26,915,737	$29,238,995
Gross profit	62,776,553	48,424,223	27,126,745	12,259,287	4,536,920	5,376,106
Income from continuing operations	11,789,493	9,796,705	4,839,933	2,367,939	849,105	1,426,005
Loss from discontinued operations			(362,500)			
Net income	11,789,493	9,796,705	4,477,433	2,367,939(2)	849,105 (2)	1,426,005(2)
Earnings Per Share (1)						
Income from continuing operations (diluted)	1.29	1.07	.76	.55(2)	.28 (2)	.49(2)
Loss from discontinued operations (diluted)			(.06)			
Net income (diluted)	1.29	1.07	.70	.55(2)	.28 (2)	.49(2)
Net income (basic)	1.34	1.11	.74	.56(2)	.29 (2)	.49(2)

	October 31,				
	1998	1997	1996	1995	1994
Balance Sheet					
Working capital	$53,672,589	$17,279,115	$6,771,434	$3,327,904	$5,200,609
Total assets	117,067,151	54,082,596	24,406,620	10,301,555	6,546,839
Long-term liabilities		308,129	562,312		35,496
Total liabilities	10,395,024	9,470,611	8,186,510	2,774,970	1,069,359
Stockholders' equity	$106,672,127	$44,611,985	$16,220,110	$7,526,585	$5,477,480

(1) Shares used in computing earnings per share

	1998	1997	1996	1995	1994
Basic	8,787,334	6,068,713	4,247,907	2,933,819	2,875,077
Diluted	9,151,903	6,361,181	4,320,571	3,007,969	2,930,276

(2) The net income for the years ended October 31, 1996, 1995 and 1994 has been calculated after taking into account the effect of the then available net operating loss ("NOL") carryforward. Without giving effect to the NOL carryforward, the Company's earnings per share, on a fully taxed basis, would have been $.38, $.18 and $.32, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The Company is a multi-regional provider of information technology and other professional staffing services through its 53 branch offices located in 21 states.

Since fiscal 1995, the Company has pursued an aggressive growth strategy designed to transition the Company's business from general support staffing services to higher growth, higher margin professional staffing services, particularly information technology. In fiscal 1995, approximately half of the Company's revenues were derived from general support staffing and the Company did not offer information technology services. For the year ended October 31, 1998, information technology services contributed 62.4% of the Company's revenues. Since the beginning of fiscal 1996, the Company has acquired 18 information technology or professional engineering staffing services companies, aggregating $158.1 million in revenues for their respective latest twelve months prior to acquisition. Through these acquisitions, the Company has achieved substantial revenue growth, improved its operating profitability and repositioned itself as a provider of information technology and other professional staffing services.

The Company realizes revenues from the placement of contract and temporary staffing personnel. These services are primarily provided to the customer at hourly rates that are established for each of the Company's staffing personnel, based upon their skill level and experience and the type of work performed. Hourly billing rates for staffing services range from $60 to $85 for the Information Technology Group, $50 to $75 for the Professional Engineering Group, $8 to $18 for the General Support Group, and $40 to $70 for the Specialty Healthcare Group. The Company also provides project management and consulting work, primarily in the Professional Engineering Group, which are billed either by agreed upon fee or hourly rates, or a combination of both. The billing rates and profit margins for project management and consulting work are higher than those received for professional staffing services. Hourly billing rates for project management work range from $125 to $185 within the Information Technology Group and $110 to $155 within the Professional Engineering Group. The Company plans to expand its sales of higher margin consulting and project management services.

The majority of the Company's services are provided under purchase orders. Contracts are utilized on certain of the more complex assignments where the engagements are for longer terms or where precise documentation on the nature and scope of the assignment is necessary. Contracts, although they normally relate to longer-term and more complex engagements, generally do not obligate the customer to purchase a minimum level of services and are generally terminable by the customer on 60 to 90 days notice. Revenues are recognized when services are provided.

Costs of services consist primarily of salaries and compensation-related expenses for billable staffing personnel, including payroll taxes, employee benefits, worker's compensation and other insurance. Principally all of the billable personnel are treated by the Company as employees. Selling, general and administrative expenses consist primarily of salaries and benefits of personnel responsible for operating activities and include corporate overhead expenses. Corporate overhead expenses relate to salaries and benefits of personnel responsible for corporate activities, including the Company's acquisition program and corporate marketing, administrative and reporting responsibilities. The Company records these expenses when incurred. Depreciation relates primarily to the fixed assets of the Company. Amortization relates principally to the goodwill resulting from the Company's acquisitions. These acquisitions have been accounted for under the purchase method of accounting for financial reporting purposes and have created goodwill which is being amortized over 40-year periods.

Results of Operations

	Years Ended October 31, 1998 Amount	% of Revenue	1997 Amount	% of Revenue	1996 Amount	% of Revenue
Revenues	$201,452,318	100.0%	$113,959,093	100.0%	$61,039,173	100.0%
Cost of services	153,028,095	76.0	86,832,348	76.2	48,779,886	79.9
Gross profit	48,424,223	24.0	27,126,745	23.8	12,259,287	20.1
Selling, general and administrative	30,460,647	15.1	18,068,899	15.9	8,914,102	14.6
Depreciation and amortization	1,454,416	.7	572,279	.5	329,680	.5
Interest expense, net of interest income	235,044	.1	184,645	.2	163,695	.3
Income before income taxes	16,744,204	8.3	8,300,922	7.3	2,821,478	4.6
Income taxes	6,947,499	3.4	3,460,989	3.0	453,539	.7
Income from continuing operations	9,796,705	4.8	4,839,933	4.3	2,367,939	3.9
Loss from discontinued operations			362,500	.4		
Net income	$ 9,796,705	4.8%	$ 4,477,433	3.9%	$2,367,939(1)	3.9%
Earnings per share:						
Income from continuing operations		$1.07		$.76		$.55(1)
Loss from discontinued operations				(.06)		
Net income		$1.07		$.70		$.55(1)

(1) The net income for the years ended October 31, 1996 has been calculated after taking into account the effect of the then available net operating loss ("NOL") carryforward. Without giving effect to the NOL carryforward, the Company's earnings per share, on a fully taxed basis, would have been $.38.

Year Ended October 31, 1998 Compared to Year Ended October 31, 1997

Revenues. Revenues increased 76.8%, or $87.5 million, for fiscal 1998, as compared to fiscal 1997. Revenue growth was primarily attributable to acquisitions and internal growth. The Company completed seven acquisitions in fiscal 1998, aggregating $67.7 million in revenues for their respective latest twelve months prior to acquisition.

Cost of Services. Cost of services increased 76.2%, or $66.2 million, for fiscal 1998 as compared to fiscal 1997. This increase was primarily due to increased salaries and compensation associated with the increased revenues experienced during fiscal 1998. Cost of services as a percentage of revenues decreased to 76.0% for fiscal 1998 from 76.2% for fiscal 1997. This decline was primarily attributable to the continued increase of the Company's revenues being derived from information technology and other professional staffing services.

Year Ended October 31, 1998 Compared to Year Ended October 31, 1997
(Continued)

Selling, General and Administrative. Selling, general and administrative expenses increased 68.6%, or $12.4 million, for fiscal 1998 as compared to fiscal 1997. This increase was attributable principally to a 76.8% increase in revenues which required additional administrative, marketing and as sales expenses in fiscal 1998 as compared to fiscal 1997. Selling, general and administrative expenses as a percentage of revenues decreased to 15.1% for fiscal 1998 as compared to 15.9% for fiscal 1997. This decrease in percentage was attributable principally to operating leverage achieved by the spreading of selling, general and administrative overhead expenses over a larger revenue base in fiscal 1998.

Depreciation and Amortization. Depreciation and amortization increased 154.1%, or $882,000, for fiscal 1998 as compared to fiscal 1997. This increase was primarily due to the amortization of intangible assets acquired in connection with the acquisitions completed during fiscal 1998 and 1997.

Interest Expense, Net of Interest Income. Actual interest expense of $422,600 for fiscal 1998 was offset by $657,600 of interest income, which was earned from the investment in interest bearing deposits of the net proceeds of the Company's public offering in June 1998, after the repayment of bank debt. Interest expense decreased 4.9%, or $21,800, for fiscal 1998 as compared to fiscal 1997. This decrease was due to the decreased borrowing requirements necessary to fund working capital required of acquired companies.

Income Tax. Income tax expense increased 100.7%, or $3.5 million, for fiscal 1998 as compared to fiscal 1997. This increase was primarily due to increased levels of net income.

Year Ended October 31, 1997 Compared to Year Ended October 31, 1996

Revenues. Revenues increased 86.7%, or $52.9 million, for fiscal 1997, as compared to fiscal 1996. Revenue growth was primarily attributable to acquisitions and internal growth. The Company completed five acquisitions in fiscal 1997, aggregating $37.8 million in revenues for their respective latest twelve months prior to acquisition.

Cost of Services. Cost of services increased 78.0%, or $38.0 million, for fiscal 1997 as compared to fiscal 1996. This increase was primarily due to increased salaries and compensation associated with the increased revenues experienced during this period. Cost of services as a percentage of revenues decreased to 76.2% for fiscal 1997 from 79.9% for fiscal 1996. This decline was primarily attributable to a greater percentage of the Company's revenues being derived from information technology and other professional staffing services.

Selling, General and Administrative. Selling, general and administrative expenses increased 102.7%, or $9.2 million, for fiscal 1997 as compared to fiscal 1996. This increase resulted from the change in the mix of the business during the period which required higher marketing, sales, recruiting and administrative expenses than fiscal 1996. Selling, general and administrative expenses as a percentage of revenues increased to 15.9% for fiscal 1997 from 14.6% in fiscal 1996, primarily attributable to the increased sales, recruiting and administrative expenses necessary to support the Company's continued growth within the information technology sector. Corporate overhead expenses as a percentage of revenues decreased to 2.7% of revenues in fiscal 1997 from 4.0% in fiscal 1996, as these costs were spread over a larger revenue base.

Depreciation and Amortization. Depreciation and amortization increased 73.6%, or $242,600, for fiscal 1997 as compared to fiscal 1996. This increase was primarily due to the amortization of intangible assets acquired in connection with the acquisitions.

Year Ended October 31, 1997 Compared to Year Ended October 31, 1996
(Continued)

Other Income Expense, Net of Interest Income. Actual interest expense of $444,300 for fiscal 1997 was partially offset by $259,700 of interest income, which was earned from the investment in interest bearing deposits of the net proceeds of the Company's public offering in June 1997, after the repayment of bank debt. Interest expense increased 171.3%, or $280,500, for fiscal 1997 as compared to fiscal 1996. This increase was due to the increased borrowings necessary to provide the funds required for certain of the Company's acquisitions as well as to refinance the working capital debt of some of the acquired companies.

Income Tax. Income tax expense increased 663.1%, or $3.0 million, for fiscal 1997 as compared to fiscal 1996. This increase was due to an increase in the effective tax rate from 16.1% to 41.7% and increased levels of net income. The increase in the effective tax rate was primarily due to the utilization of principally all of the remaining net operating loss carryforward which offset net income in prior periods.

Loss From Discontinued Operations. In fiscal 1997, the Company incurred a one-time charge of $362,500 in connection with the settlement of a claim relating to the Company's former operation of a materials recovery facility prior to 1977. This segment of the Company's business was otherwise discontinued in fiscal 1992.

Liquidity and Capital Resources

Operating activities used $2.2 million and $3.8 million of cash during fiscal 1998 and fiscal 1997, respectively. The uses of cash for operating activities in fiscal 1998 and 1997 was primarily attributable to an increase in accounts receivable which was partially offset by increased levels of profitability and depreciation and amortization associated with the acquisitions that were completed during the three years ended October 31, 1998.

Investing activities utilized $26.8 million and $17.9 million in fiscal 1998 and fiscal 1997, respectively. During fiscal 1998, the Company invested $26.0 million in cash in the purchase of seven staffing companies. During fiscal 1997, the Company invested $17.4 million in cash in the purchase of five staffing companies. During fiscal 1996, the Company invested $1.0 million in cash in the purchase of three staffing companies. These acquisitions collectively resulted in goodwill of approximately $47.4 million which is generally amortized over a period of forty years.

Financing activities provided $50.3 million, $22.6 million and $2.8 million for fiscal 1998, fiscal 1997 and fiscal 1996, respectively.

During fiscal 1998, the Company derived $2.3 million from the issuance of 153,209 shares of Common Stock upon the exercise of Class C Warrants. The Warrants were issued in a public offering undertaken by the Company during 1989, and after several extensions, expired on April 30, 1998.

On June 13, 1997, the Company completed a public offering of 2,875,000 shares of Common Stock, of which, 2,698,187 shares were sold by the Company and 176,813 shares were sold by certain selling stockholders. The net proceeds to the Company after offering costs were $23,271,723.

On June 3, 1998, the Company completed a public offering of 2,700,000 shares of its Common Stock, of which, 2,509,980 shares were sold by the Company and 190,020 shares were sold by certain selling stockholders. The net proceeds to the Company after offering costs were $49,291,445.

On August 19, 1998, the Company and its subsidiaries entered into an agreement with Mellon Bank N.A., administrative agent for a syndicate of banks, which provides for a $75.0 million Revolving Credit Facility. Borrowings under the Revolving Credit Facility bear interest at the Company's option, at LIBOR (London Interbank Offered Rate), plus applicable margin or the agent bank's prime rate. Borrowings under the Revolving Credit Facility are collateralized by all of the assets of the Company and its subsidiaries and a pledge of all of the stock of its subsidiaries. The Revolving Credit Facility also contains various financial and non-financial covenants. The Revolving Credit Facility expires August 2001. There were no amounts outstanding under the Revolving Credit Facility at October 31, 1998.

The Company anticipates that its primary uses of capital in future periods will be for acquisitions and the funding of increases in accounts receivable. Funding for further acquisitions will be derived from the Revolving Credit Facility, funds generated through operations, or future financing transactions.

The Company's business strategy is to achieve growth both internally through operations and externally through strategic acquisitions. The Company's liquidity and capital resources may be affected in the future as the Company continues to grow through implementation of this strategy which may involve acquisitions facilitated through the use of cash and/or debt and equity securities.

Liquidity and Capital Resources (Continued)

The Company does not, as of the date of this Report, have material commitments for capital expenditures and does not anticipate entering into any such commitments during the next twelve months. The Company continues to evaluate acquisitions of various businesses which are complementary to its current operations. The Company's current commitments consist primarily of lease obligations for office space. The Company believes that its capital resources are sufficient to meet its present obligations and those to be incurred in the normal course of business for the next twelve months.

Seasonal Variations

The Company's quarterly operating results are affected primarily by the number of billing days in the quarter and the seasonality of its customers' businesses. The Company usually experiences higher revenues in its fourth quarter due to increased economic activity and experiences lower revenues in the first four months of the following year, showing gradual improvement over the remainder of the year.

Impact of Inflation

The effects of inflation on the Company's operations were not significant during the periods presented.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information", which is effective for all periods beginning after December 15, 1997. SFAS 131 requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to shareholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. Management is currently evaluating the impact of the disclosure requirements of this statement.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities and is effective for years beginning after June 15, 1999. The Company will determine the extent to which SFAS No. 133 applies and adopt the standards established as required.

Year 2000 Readiness Disclosure

Many existing computer systems use only two digits to identify a year with the assumption that the first two digits of every year are "19". With the year 2000 approaching, computer systems that are not Year 2000 compliant will read the year 2000 as 1900 may malfunction. The Company's program to assess the extent of issues related to Year 2000 compliance and to develop and implement solutions for those issues is being directed by senior management with the Company's Chief Technology Officer having primary responsibility for the coordination, remediation, implementation contingency planning efforts. Designated personnel at the Company's headquarters and at each of the Company's operating locations have been assigned Year 2000 compliance responsibilities.

The program is focused on internal information technology systems, computer-aided design systems, non-IT systems (equipment with embedded micro processors), facilities and the status of compliance by larger customers, service providers, suppliers and other key third parties. The program involves the following phases:

Assessment, Remediation Planning, Contingency Planning, Remediation/Replacement Implementation and Compliance Testing.

The internal IT systems compliance issues are most critical and relate to the Company's financial systems, computer networks and communications systems and personnel recruiting and human resource systems. Corporate level personnel have responsibility to insure that all financial, network and communication systems will be Year 2000 compliant as well as determining the status of compliance by larger customers, suppliers and other key third parties. Personnel recruiting and human resource tracking systems for billable resources are being evaluated and remediated by local branch management under the coordination of the Corporate Chief Technology Officer.

Year 2000 compliance related to internal financial systems is being addressed in two ways. The Company has decided to replace its primary financial system with a state-of-the-art integrated enterprise-wide system. This decision was driven by the need for enhanced processing, control and reporting capabilities using current technologies. Based on representations and warranties of the vendor, the Company believes that the new system will be Year 2000 compliant and is expected to be operational by the third quarter of 1999. In addition, the existing primary system and other ancillary systems have been evaluated for Year 2000 compliance and the required remediation and testing are underway. These efforts are scheduled to be concluded by early 1999.

With respect to larger customers, suppliers and other key third parties, questionnaire surveys are being distributed for use in assessing their state of compliance in order to develop contingency plans in case of non-compliance. Customers and suppliers with whom there is electronic interchange of data are of primary focus to insure that both the Company and those parties are Year 2000 compliant with respect to such interchanges. The Company does not believe the consequences of non-compliance of third party suppliers and customers would be material due to the limited exposure the Company has assessed to these parties.

The responsibility for identifying and assessing compliance issues and then implementing solutions for computer-aided design systems, non-IT systems, facilities, and the status of compliance by suppliers and other third parties, rests primarily with each operating office. Solutions for Year 2000 issues related to computer-aided design systems, non-IT systems and facilities will, of necessity, come from vendors and others providing the related services. The Company, however, plans to identify compliance issues and monitor remediation or replacement efforts. With respect to local suppliers and third parties, the Company has also distributed questionnaire surveys in order to assess their state of compliance in order to develop contingency plans in case of non-compliance. The identification and assessment process is well underway with the expectation that solutions will be in place by the second quarter of 1999.

The cost of the Company's Year 2000 and enterprise wide solution implementation program is expected to be approximately $1.2 million, approximately $600,000 of which has been incurred as of the date of the filing of this Report. This amount includes costs associated with the new financial system and the new personnel recruiting and human resource systems described above. These systems already were scheduled for implementation and their implementation was not accelerated because of Year 2000 issues.

Year 2000 Readiness Disclosure - (Continued)

The Company believes that its program to address Year 2000 compliance is on schedule for completion before the end of 1999. However, there can be no assurance that there will be no material impact as a result of Year 2000 issues, particularly considering the dependence and interdependence that exists with third parties and that resources for remediation and replacement may not be available in the required time frame. Since the Company has a greater level of control over implementing solutions to Year 2000 issues relating to its internal systems, it is more likely that adverse impacts on the Company could originate with third parties rather than from the Company's inability to have its internal systems Year 2000 compliant. If issues related to internal systems are not resolved before the end of 1999, the consequences to the Company could be material.

The Company is in the process of developing a most reasonably likely worst case Year 2000 scenario. At the appropriate time, but not later than mid-1999, the Company will determine the extent to which contingency plans are required.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable.

Item 8. Financial Statements and Supplemental Data

The Company's financial statements, together with the report of the Company's independent auditors, begins on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information with regard to this item is incorporated by reference to the definitive 1999 Proxy Statement under the caption "ELECTION OF DIRECTORS" and "OTHER INFORMATION - Executive Officers of the Registrant," or in an Amendment to this Report to be filed with the Securities and Exchange Commission.

Item 11. Executive Compensation

Information with regard to this item is incorporated herein by reference to the definitive 1999 Proxy Statement under the caption "ADDITIONAL INFORMATION - Management Compensation," or in an Amendment to this Report to be filed with the Securities and Exchange Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information with regard to this item is incorporated herein by reference to the definitive 1999 Proxy Statement under the caption "PRINCIPAL STOCKHOLDERS," or in an Amendment to this Report to be filed with the Securities and Exchange Commission.

Item 13. Certain Relationships and Related Transactions

Information with regard to this item is incorporated herein by reference to the definitive 1999 Proxy Statement under the caption "ADDITIONAL INFORMATION - Certain Transactions," or in an Amendment to this Report to be filed with the Securities and Exchange Commission.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. and 2. Financial Statement Schedules -- See "Index to Financial Statements and Schedules" on F-1.

(b) Reports on Form 8-K

1. RCM Technologies, Inc. Current Report on Form 8-K dated July 23, 1998, as amended.

(c) Exhibits

(3)(a)	Articles of Incorporation, as amended; incorporated by reference to Exhibit 3(a) of the Registrant's Form 10-K dated October 31, 1994.
(3)(b)	Bylaws, as amended; incorporated by reference to Exhibit 3 of the Registrant's Quarterly Report on Form 10-Q dated January 31, 1996.
(4)(a)	Rights Agreement dated as of March 14, 1996, between RCM Technologies, Inc. and American Stock Transfer & Trust Company, as Rights Agent; incorporated by reference to Exhibit 4 of the Registrant's Current Report on Form 8-K dated March 19, 1996.
(10)(a)	Loan and Security Agreement dated August 19, 1998 between RCM Technologies, Inc. and all of its Subsidiaries and Mellon Bank, N.A. as Agent.
(10)(b)	RCM Technologies, Inc. 1992 Incentive Stock Option Plan; incorporated by reference to Exhibit A of the Registrant's Proxy Statement dated April 23, 1992, filed with the Commission on March 9, 1992.
(10)(c)	RCM Technologies, Inc. 1994 Non-employee Director Stock Option Plan; incorporated by reference to Exhibit A of the Registrant's Proxy Statement dated May 19, 1994, filed with the Commission on June 22, 1994.
(10)(d)	RCM Technologies, Inc. 1996 Executive Stock Option Plan dated August 15, 1996; incorporated by reference to Exhibit 10(l) of the 1996 the Registrant's Annual Report on Form 10-K dated October 31, 1996 (the "1996 10-K").

* (10)(e) Second Amended and Restated Termination Benefits Agreement dated March 18, 1997 between the Registrant and Leon Kopyt; incorporated by reference to Exhibit 10(g) of the Registration Statement on Form S-1 dated March 21, 1997 (Commission File No. 333-23753) (the"1997 S-1").

* (10)(f) Amended and restated Employment Agreement dated November 30, 1996 between the Registrant, Intertec Design, Inc. and Leon Kopyt; incorporated by reference to Exhibit 10(g) of the 1996 10-K.

(10)(g)	Stock Pledge Agreement dated August 30, 1995 by and between the former shareholders of Cataract, Inc. RCM Technologies, Inc. and CI Acquisition Corp.; incorporated by reference to Exhibit (c)(5) of the Registrant's current Report on Form 8-K dated August 30, 1995.
(10)(h)	Amended to Stock Pledge Agreement dated December 28, 1998 by and among RCM Technologies Inc. Cataract, Inc. (F/K/A CI Acquisition Corp.) and the former shareholders of Cataract, Inc.
(10)(i)	Registration Rights Agreement dated March 11, 1996 by and between RCM Technologies, Inc. and the former shareholders of The Consortium; incorporated by reference to Exhibit (c)(2) of the Registrant's current Report on Form 8-K dated March 19, 1996.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K -
(Continued)

(11) Computation of Earnings Per Share.

(21) Subsidiaries of the Registrant.

(23) Consent of Grant Thornton, LLP

(27) Financial Data Schedule.

* Constitutes a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

RCM Technologies, Inc.

Date: January 11, 1999	*By:/s/ Leon Kopyt* *Leon Kopyt* *Chairman, President, Chief Executive Officer and Director*
Date: January 11, 1999	*By:/s/ Stanton Remer* *Stanton Remer* *Chief Financial Officer, Treasurer, Secretary and Director*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: January 11, 1999	*/s/ Leon Kopyt* *Leon Kopyt* *Chairman, President, Chief Executive Officer (Principal Executive Officer) and Director*
Date: January 11, 1999	*/s/ Stanton Remer* *Stanton Remer* *Chief Financial Officer, Treasurer, Secretary (Principal Financial and Accounting Officer) and Director*
Date: January 11, 1999	*/s/ Norman S. Berson* *Norman S. Berson* *Director*
Date: January 11, 1999	*/s/ Robert B. Kerr* *Robert B. Kerr* *Director*
Date: January 11, 1999	*/s/ Woodrow B. Moats, Jr.* *Woodrow B. Moats, Jr.* *Director*

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES

FORM 10-K

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
October 31, 1998 and 1997

ASSETS

	1998	1997
Current assets		
Cash and cash equivalents	$ 22,187,536	$ 918,028
Accounts receivable, net of allowance for doubtful accounts of $486,000 and $316,000 in 1998 and 1997, respectively	40,680,268	24,850,304
Prepaid expenses and other current assets	1,199,809	673,265
Total current assets	64,067,613	26,441,597
Property and equipment, at cost		
Equipment and leasehold improvements	5,041,184	2,508,680
Less: accumulated depreciation and amortization	2,437,316	1,373,275
	2,603,868	1,135,405
Other assets		
Deposits	145,876	94,149
Intangible assets (net of accumulated amortization of $1,823,000 and $805,000 in 1998 and 1997, respectively)	50,249,794	26,411,445
	50,395,670	26,505,594
Total assets	$117,067,151	$ 54,082,596

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED
October 31, 1998 and 1997

LIABILITIES AND SHAREHOLDERS' EQUITY

	1998	1997
Current liabilities		
Note payable - bank		$ 2,000,000
Accounts payable and accrued expenses	$ 3,202,625	1,315,937
Accrued payroll	5,505,465	4,501,502
Taxes other than income taxes	1,629,945	665,106
Income taxes payable	56,989	679,937
Total current liabilities	10,395,024	9,162,482
Income taxes payable		308,129
Shareholders' equity		
Preferred stock, $1.00 par value; 5,000,000 shares authorized; no shares issued or outstanding		
Common stock, $0.05 par value; 40,000,000 shares authorized; 10,447,525 and 7,582,206 shares issued in 1998 and 1997, respectively	522,376	379,110
Additional paid-in capital	92,997,711	40,877,540
Retained earnings	13,152,040	3,355,335
	106,672,127	44,611,985
Total liabilities and shareholders' equity	$117,067,151	$ 54,082,596

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Revenues	$201,452,318	$113,959,093	$61,039,173
Cost of services	153,028,095	86,832,348	48,779,886
Gross profit	48,424,223	27,126,745	12,259,287
Operating costs and expenses			
Selling, general and administrative	30,460,647	18,068,899	8,914,102
Depreciation and amortization	1,454,416	572,279	329,680
	31,915,063	18,641,178	9,243,782
Operating income	16,509,160	8,485,567	3,015,505
Other income (expense)			
Interest expense, net of interest income	235,044	(184,645)	(163,695)
Other, net			(30,332)
	235,044	(184,645)	(194,027)
Income before income taxes	16,744,204	8,300,922	2,821,478
Income taxes	6,947,499	3,460,989	453,539
Income from continuing operations	9,796,705	4,839,933	2,367,939
Loss from discontinued operations, net of income tax benefit of $262,500 (Note 2)		362,500	
Net income	$ 9,796,705	$ 4,477,433	$ 2,367,939
Basic earnings per share:			
Continuing operations	$1.11	$0.80	$0.56
Discontinued operations		(0.06)	
Net income	$1.11	$0.74	$0.56
Diluted earnings per share:			
Continuing operations	$1.07	$0.76	$0.55
Discontinued operations		(0.06)	
Net income	$1.07	$0.70	$0.55

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED OCTOBER 31, 1998, 1997 AND 1996

	Common Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, October 31, 1995	3,255,024	$162,751	$10,916,692	$(3,490,037)	$(62,821)
Exercise of stock options	10,000	500	15,438		
Issuance of common stock in connection with acquisitions	1,336,827	66,841	5,242,807		
Sale of common stock	276,625	13,832	986,168		
Net income				2,367,939	
Balance, October 31, 1996	4,878,476	243,924	17,161,105	(1,122,098)	(62,821)
Retirement of Treasury Stock	(62,800)	(3,140)	(59,681)		62,821
Exercise of stock options	4,171	209	23,031		
Sale of common stock	2,698,187	134,909	23,136,814		
Issuance of common stock in connection with acquisitions	43,347	2,167	317,312		
Issuance of common stock in connection with legal settlement	20,825	1,041	298,959		
Net income				4,477,433	
Balance, October 31, 1997	7,582,206	379,110	40,877,540	3,355,335	
Exercise of stock options	202,130	10,107	688,607		
Exercise of warrants	153,209	7,660	2,265,618		
Sale of common stock	2,509,980	125,499	49,165,946		
Net income				9,796,705	
Balance, October 31, 1998	10,447,525	$522,376	$92,997,711	$13,152,040	--------------

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 9,796,705	$ 4,477,433	$ 2,367,939
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,454,416	572,279	329,680
Non cash portion of legal settlement		300,000	
Provision for losses on accounts receivable	170,000	239,748	61,000
Changes in assets and liabilities:			
Accounts receivable	(15,999,964)	(11,104,607)	(8,522,460)
Prepaid expenses and other current assets	(526,544)	(137,067)	267,464
Accounts payable and accrued expenses	1,886,688	581,146	262,684
Accrued payroll	1,003,963	1,711,777	1,606,791
Taxes other than income taxes	964,839	232,499	227,113
Income taxes payable	(931,077)	(626,685)	1,482,751
	(11,977,679)	(8,230,910)	(4,284,977)
Net cash used in operating activities	(2,180,974)	(3,753,477)	(1,917,038)

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Cash flows from investing activities:			
Property and equipment acquired	(796,905)	(450,350)	(128,264)
Increase in deposits	(51,727)	(6,110)	(44,965)
Cash paid for acquisitions, net of cash acquired	(25,964,323)	(17,426,351)	(1,049,433)
Net cash used in investing activities	(26,812,955)	(17,882,811)	(1,222,662)
Cash flows from financing activities:			
Net borrowing (repayments) under short term debt arrangements	(2,000,000)	(746,636)	1,832,201
Exercise of warrants	2,273,278		
Sale of common stock	49,291,445	23,271,723	1,000,000
Exercise of stock options	698,714	23,240	15,938
Net cash provided by financing activities	50,263,437	22,548,327	2,848,139
Net increase (decrease) in cash and cash equivalents	21,269,508	912,039	(291,561)
Cash and cash equivalents at beginning of year	918,028	5,989	297,550
Cash and cash equivalents at end of year	$ 22,187,536	$ 918,028	$ 5,989
Supplemental cash flow information:			
Cash paid for:			
Interest expense	$ 422,579	$ 444,347	$ 163,811
Income taxes	7,878,576	3,825,174	726,332
Acquisitions:			
Fair value of assets acquired	28,794,018	20,929,663	7,302,476
Liabilities assumed	2,829,695	3,503,312	6,253,043
Cash paid, net of cash acquired	$ 25,964,323	$ 17,426,351	$ 1,049,433

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 1998, 1997 and 1996

1. Summary of Significant Accounting Policies

Business

RCM Technologies, Inc. (the "Company"), through its wholly-owned subsidiaries, is a multi-regional provider of Information Technology and other professional staffing services. The Company provides contract and temporary personnel in the Information Technology, Professional Engineering and Technical, Specialty Healthcare and General Support sectors of the staffing industry to a diversified base of national, regional and local customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

Property and Equipment

Depreciation of equipment is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives on the straight-line basis. Estimated useful lives range from five to ten years. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter.

Income Taxes

The Company and its wholly-owned subsidiaries file a consolidated federal income tax return. The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

Revenue Recognition

Revenue is recognized concurrently with the performance of services. When the Company enters into long-term contracts for the supply of temporary personnel, billings are rendered for employee hours worked according to contractual billing rates.

Profit Sharing Plan

The Company maintains 401(k) plans as of October 31, 1998, for the benefit of eligible employees. The plans are profit-sharing plans, including a cash or deferred arrangement pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended (the"Code"), sponsored by the Company to provide eligible employees an opportunity to defer compensation and have such deferred amounts contributed to the 401(k) plan on a pre-tax basis, subject to certain limitations. The Company may, at the discretion of the Board of Directors, make contributions of cash to match deferrals of compensation by participants. Contributions charged to operations by the Company for fiscal years ended October 31, 1998, 1997 and 1996 were $88,736, $6,246 and $0, respectively.

1. Summary of Significant Accounting Policies - (Continued)

Cash Equivalents

For purposes of presenting the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Goodwill

The net assets of businesses acquired, which are accounted for as purchases, have been reflected at their fair values at dates of acquisition. The excess of acquisition costs over such net assets (goodwill) is reflected in the consolidated balance sheets as Intangible Assets. Goodwill, net of amortization of $1,823,000 at October 31, 1998 and $805,000 at October 31, 1997, is being amortized on a straight-line method over forty years. Amortization expense for goodwill in 1998, 1997, and 1996 was $1,018,000, $411,000 and $211,000, respectively.

Long-Lived Assets, Goodwill and Other Intangible Assets

The Company reviews long-lived assets and certain identifiable intangibles to be held, used or disposed of, for impairment based on the undiscounted cash flows from the related assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Fair Value of Financial Instruments

The carrying value of financial instruments approximates fair value. The Company's financial instruments are accounts receivable, accounts payable and long-term debt. The Company does not have any off-balance sheet financial instruments or derivatives.

Comprehensive Income

In June, 1997 the Financial Accounting Standards Board issued Statement No. 130, Reporting Comprehensive Income. Statement No. 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a separate financial statement. The only component of comprehensive income that applies to the Company for 1998, 1997 and 1996 is earnings as reported in the consolidated statement of earnings. Accordingly, a separate financial statement reflecting comprehensive income is not necessary.

1. Summary of Significant Accounting Policies - (Continued)

Per Share Data

In February, 1997 the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share. The provisions of Statement No. 128 are effective for years ending after December 15, 1997. Accordingly, earnings per share data is presented in accordance with those provisions and prior year data has been restated. Earnings used to calculate both basic and diluted earnings per share for all periods are reported earnings in the Company's consolidated statement of earnings. Because of the Company's capital structure, all reported earnings pertain to common shareholders and no other assumed adjustments are necessary.

The number of common shares used to calculate basic and diluted earnings per share for 1998, 1997, and 1996 was determined as follows:

	1998	1997	1996
Basic			
Average shares outstanding	8,787,334	6,068,713	4,247,907
Diluted			
Shares used for basic	8,787,334	6,068,713	4,247,907
Dilutive effect of stock options	364,569	292,468	72,664
	9,151,903	6,361,181	4,320,571

Options to purchase 19,000 shares of common stock at prices ranging from $14.00 to $14.50 per share were outstanding during the year ended October 31, 1998, but were not included in the computation of diluted EPS because their exercise prices were greater than the average market price of the common shares.

Options to purchase 10,000 shares of common stock at $10.63 per share and warrants to purchase 157,342 shares of common stock at $15 per share were outstanding during the year ended October 31, 1997, but were not included in the computation of diluted EPS because their exercise prices were greater than the average market price of the common shares.

Warrants to purchase 157,342 shares of common stock at $15 per share were outstanding during the year ended October 31, 1996, but were not included in the computation of diluted EPS because the exercise price was greater than the average market price of the common shares.

2. Discontinued Operations

In fiscal 1992, the Company discontinued the operations of an environmental technology development business. In connection with the discontinued operations, on September 26, 1997, the Company and Alumax, Inc. entered into a Settlement Agreement, whereby the Company agreed to settle the potential controversy by paying $300,000 and issuing 20,825 restricted shares of its common stock, valued at $300,000 to Alumax, Inc. Professional fees associated with the settlement were approximately $25,000. The charge to operations for the year ended October 31, 1997 was $625,000 and the tax effected result was $362,500, or $.06 per share.

3. Sale of Common Stock

On June 13, 1997, the Company completed a public offering of 2,875,000 shares of Common Stock, of which, 2,698,187 shares were sold by the Company and 176,813 shares were offered by certain selling stockholders. The public offering was undertaken pursuant to the terms of a Registration Statement on Form S-1 originally filed with the Securities and Exchange Commission on March 21, 1997 and a final Prospectus dated June 10, 1997. The net proceeds to the Company after offering costs was $23,271,723.

On June 3, 1998, the Company completed a public offering of 2,700,000 shares of Common Stock, of which, 2,509,980 shares were sold by the Company and 190,020 shares were offered by certain selling stockholders. The public offering was undertaken pursuant to the terms of a Registration Statement on Form S-3 originally filed with the Securities and Exchange Commission on April 29, 1998 and a final Prospectus dated May 29, 1998. The net proceeds to the Company after offering costs was $49,291,445.

4. Acquisitions

During the three year period ended October 31, 1998, the Company acquired 15 businesses in the staffing and consulting services industry. These acquisitions, which are summarized below, have been accounted for as purchases and, accordingly, the results of operations of the acquired companies have been included in the consolidated results of operations of the Company from the dates of acquisition.

In connection with certain acquisitions, the Company is obligated to pay contingent consideration to the selling shareholders upon the acquired businesses achieving certain earnings targets over periods ranging from 2-3 years. In general, the contingent consideration amounts fall into two tiers: (a) tier 1 ("Deferred Consideration") - amounts are due, provided that these acquisitions achieve a base level of earnings which has been determined at the time of acquisition and (b) tier 2 ("Earnouts") - amounts are not fixed and are based on the growth in excess of the base level earnings. The Deferred Consideration payments are anticipated to be as follows:

Year Ending	Amount
1999	$ 7,300,000
2000	11,150,000
2001	7,890,000
2002	750,000
	$ 27,090,000

The Deferred Consideration and Earnouts, when paid, will be recorded as additional purchase consideration and will be amortized over a 40 year period. Earnouts cannot be estimated with any certainty.

The Company's acquisition activities are as follows:

	Year ended October 31, 1998	1997	1996
Number of acquisitions	7	5	3
Consideration paid:			
Cash at closing	$22,625,000	$18,400,000	$ 621,500
Common stock at closing		$318,433	$ 5,399,638
Deferred Consideration payments	$15,100,000	$ 7,550,000	

Subsequent to October 31, 1998 and prior to December 11, 1998, the Company's acquisition activities are as follows:

	(Unaudited)
Number of acquisitions	3
Consideration paid:	
Cash at closing	$12,525,000
Deferred Consideration payments	$ 5,349,000

The following unaudited results of operations have been prepared assuming the acquisitions had occurred as of the beginning of the periods presented. Those results are not necessarily indicative of results of future operations nor of results that would have occurred had the acquisitions been consummated as of the beginning of the periods presented.

	Year Ended October 31, 1998	1997
Revenues	$252,413,000	$204,820,000
Operating income	22,319,000	16,089,000
Income from continuing operations	11,789,000	6,506,000
Loss from discontinued operations		(363,000)
Net income	11,789,000	6,143,000
Earnings per share from continuing operations	1.29	.99
Loss per share from discontinued operations		(.06)
Earnings per share	$1.29	$.93

5. Property and Equipment

Property and equipment is comprised of the following:

	Year Ended October 31, 1998	1997
Office equipment	$ 4,789,978	$ 2,294,906
Capitalized lease	174,873	174,873
Leasehold improvements	76,333	38,901
	5,041,184	2,508,680
Less: accumulated depreciation and amortization	2,437,316	1,373,275
	$ 2,603,868	$ 1,135,405

6. Note Payable - Bank

On August 19, 1998, the Company and its subsidiaries entered into an agreement with Mellon Bank N.A., administrative agent for a syndicate of banks, which provides for a $75 million revolving credit facility (the "Revolving Credit Facility"). Borrowings under the Revolving Credit Facility bear interest at the Company's option, at LIBOR (London Interbank Offered Rate), plus applicable margin, or the agent bank's prime rate.

Borrowing under the Revolving Credit Facility is collateralized by all of the assets of the Company and its subsidiaries and a pledge of all of the stock of its subsidiaries. The Revolving Credit Facility also contains various financial and non-financial covenants. The Revolving Credit Facility expires August 2001. The weighted average interest rate at October 31, 1998 was 8.30%. There were no amounts outstanding under the Revolving Credit Facility at October 31, 1998.

Prior to August 19, 1998, the Company and its subsidiaries maintained a credit facility (the "Credit Facility") in the amount of $20 million with Mellon Bank, N.A. Borrowing under the Credit Facility was based on 85% of accounts receivable on which not more than ninety days elapsed since the date of invoicing. Borrowing under the Credit Facility bore interest, at the Company's option, at LIBOR (London Interbank Offered Rate) or the bank's prime rate, plus the applicable margin.

The interest rate charged by the bank at October 31, 1997 was the prime rate of 8.25%.

7. Shareholders' Equity

Common shares reserved

Shares of unissued common stock were reserved for the following purposes:

	October 31, 1998	1997
Exercise of warrants		157,342
Exercise of options outstanding	1,021,420	1,087,400
Future grants of options	746,150	382,300
Total	1,767,570	1,627,042

7. Shareholders' Equity - (Continued)

Incentive Stock Option Plans

On April 23, 1998, the shareholders approved amendments to the RCM Technologies, Inc. 1992 Incentive Stock Option Plan ("1992 Plan") and the 1994 Non-Employee Director Stock Option Plan (the "Director Option Plan"). The amendments increase the number of shares of the Company's common stock issuable under the 1992 Option Plan by 400,000 shares to 500,000 shares and increase the number of shares issuable under the Director Option Plan by 100,000 shares to 180,000 shares.

On April 23, 1992, the shareholders approved the 1992 Plan. At October 31, 1998, there were 413,720 shares of Common Stock reserved under the 1992 Plan for issuance no later than February 13, 2002 to officers, directors and key employees of the Company and its subsidiaries. Options under the 1992 Plan are intended to be incentive stock options pursuant to Section 422A of the Internal Revenue Code. The option terms cannot exceed ten years and the exercise price cannot be less than 100% of the fair market value of the shares at the time of grant

On May 19, 1994, the shareholders approved the Director Option Plan as a means of recruiting and retaining nonemployee directors of the Company. At October 31, 1998, there were 114,000 shares of Common Stock reserved under the Director Option Plan for issuance no later than July 19, 2004. All director stock options are granted at fair market value at the date of grant. The exercise of options granted is contingent upon service as a director for a period of one year. If the optionee ceases to be a director of the Company, any option granted shall terminate.

On August 15, 1996, (amended on January 15, 1997) the Board of Directors approved the RCM Technologies, Inc. 1996 Executive Stock Plan ("1996 Plan"). At October 31, 1998, there were 1,239,850 shares of Common Stock reserved under the 1996 Plan for issuance not later than August 15, 2006 to officers and key employees of the Company and its subsidiaries.

The Company has adopted only the disclosure provisions of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). It applies APB Opinion No. 25 and related interpretations in accounting for its plans and does not recognize compensation expense for is stock-based compensation plans. Had compensation cost been determined based on the fair value of the options at the grant date consistent with SFAS 123, the Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	Year Ended October 31,		
	1998	1997	1996
Net earnings:			
As reported	$ 9,796,705	$ 4,477,433	$ 2,367,939
Pro forma	$ 8,096,746	$ 2,542,196	$ 2,235,750
Diluted earnings per share:			
As reported	$1.07	$.70	$.55
Pro forma	$.92	$.39	$.52

These pro forma amounts may not be representative of future disclosures because they do not take into effect proforma compensation expense related to grants before November 1, 1995. The fair value of these options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for grants in fiscal year 1998, 1997 and 1996, respectively: expected volatility of 30% all; risk-free interest rates of 5.14%, 6.43% and 6.32%; and expected lives of 5 years. The weighted-average fair value of options granted during fiscal years 1998, 1997 and 1996 was $4.38, $3.46 and $2.16, respectively.

7. Shareholders' Equity - (Continued)

Incentive Stock Option Plans - (Continued)

Transactions related to all stock options are as follows:

	1998	Weighted-Average Exercise Price	1997	Weighted-Average Exercise Price	1996	Weighted-Average Exercise Price
Outstanding options at beginning of year	1,087,400	$7.46	214,400	$3.54	163,300	$2.63
Granted	239,500	11.23	883,200	8.40	61,100	5.64
Forfeited	(103,350)	10.13	(6,029)	6.68		
Exercised	(202,130)	3.46	(4,171)	5.57	(10,000)	1.59
Outstanding options at end of year	1,021,420	$8.86	1,087,400	$7.46	214,400	$3.54
Exercisable options at October 31,	1,012,420		708,900		141,300	
Option grant price per share		$3.44 to $14.50	$1.09 to $10.625		$1.09 to $8.13	

The following table summarizes information about stock options outstanding at October 31, 1998:

Range of Exercise Prices	Weighted-Average Number of Outstanding Options	Remaining Contractual Life	Weighted-Average Exercise Price
$ 3.44 - $ 5.15	4,000	5.5 years	$ 3.44
$ 5.16 - $ 7.73	504,250	8.1 years	$ 7.11
$ 7.74 - $ 11.63	474,170	9.0 years	$ 10.41
$ 11.67 - $ 17.44	39,000	9.2 years	$ 14.00

8. Commitments

Termination Benefits Agreement

In December 1993, the Company entered into a Termination Benefits Agreement with Mr. Kopyt that was subsequently amended and restated as of March 18, 1997 (the "Benefits Agreement"). Pursuant to the Benefits Agreement, following a Change in Control (as defined therein) the remaining term of Mr. Kopyt's employment is extended for five years (the "Extended Term"). If Mr. Kopyt's employment is terminated thereafter by the Company other than for cause, or by Mr. Kopyt for good reason (including, among other things, a material change in Mr. Kopyt's salary, title, reporting responsibilities or a change in office location which requires Mr. Kopyt to relocate): the Company is obligated to pay Mr. Kopyt a lump sum equal to his salary and bonus for the remainder of the Extended Term; the exercise price of the options to purchase 500,000 shares granted to Mr. Kopyt under the 1996 Executive Stock Plan will be reduced to 50% of the average market price of the Common Stock for the 60 days prior to the date of termination if the resulting exercise price is less than the original exercise price of $7.125 per share; and the Company shall be obligated to pay to Mr. Kopyt the amount of any excise tax associated with the benefits provided to Mr. Kopyt under the Benefits Agreement. If such a termination had taken place as of October 31, 1998, Mr. Kopyt would have been entitled to cash payments of approximately $3.4 million (representing salary and excise tax payments).

Operating leases

The Company leases office facilities and various equipment under noncancellable leases expiring at various dates through February 2007. Certain leases are subject to escalation clauses based upon changes in various factors. The minimum future annual operating lease commitments for leases with noncancellable terms in excess of one year, exclusive of escalation, are as follows:

Year ending October 31,	Amount
1999	$ 1,570,000
2000	1,252,000
2001	900,000
2002	624,000
2003	279,000
Thereafter	692,000
Total	$5,317,000

Rent expense for the years ended October 31, 1998, 1997 and 1996 was $1,456,000, $814,000 and $498,000, respectively.

9. Major Customers

Revenues from major clients for the years ended October 31, 1998, 1997 and 1996 were as follows:

For the year ended October 31, 1998, no one client contributed more than 5% of total revenues.

For the year ended October 31, 1997, one client contributed $13,069,000 or 11.5% of total revenues. Accounts receivable from the client represented 4.4% of total accounts receivable at October 31, 1997.

For the year ended October 31, 1996, one client contributed $7,776,000 or 12.7% of total revenues. Accounts receivable from the client represented 13.3% of total accounts receivable at October 31, 1996.

10. Related Party Transactions

A director of the Company is a shareholder in a law firm that rendered various legal services to the Company. Fees paid to the law firm have not been significant.

11. Income Taxes

The components of income tax expense are as follows:

	Year ended October 31,		
	1998	1997	1996
Current			
Federal	$5,204,332	$2,282,603	$ 48,000
State and local	1,743,167	915,886	405,539
Total income tax expense - current	$6,947,449	$3,198,489	$453,539

The income tax provisions reconciled to the tax computed at the statutory Federal rate was:

	1998	1997	1996
Tax at statutory rate	34.0%	34.0 %	34.0%
State income taxes, net of Federal income tax benefit	6.8	7.9	9.4
Net operating loss carry-overs		(1.9)	(32.4)
Other, net	.4	1.7	5.1
	41.2%	41.7 %	16.1%

Significant components of the Company's deferred tax assets at October 31, 1998 and 1997 are as follows:

	1998	1997
Deferred tax assets due to:		
Allowance for doubtful accounts	$132,000	$132,000
Less: 100% valuation allowance		
Total net deferred tax assets	$132,000	$132,000

12. Selected Quarterly Financial Information (Unaudited)

Year Ended October 31, 1998

	Sales	Gross Profit	Net Income	Net Income Per Share (a)
1st Quarter	$ 37,232,243	$ 9,152,239	$ 1,777,401	$.22
2nd Quarter	48,942,175	11,607,585	2,218,751	.27
3rd Quarter	52,008,578	12,323,918	2,590,784	.26
4th Quarter	63,269,322	15,340,481	3,209,769	.30
Total	$ 201,452,318	$ 48,424,223	$ 9,796,705	$1.07

Year Ended October 31, 1997

	Sales	Gross Profit	Net Income	Net Income Per Share (a)
1st Quarter	$ 21,150,721	$ 5,099,404	$ 780,987	$.16
2nd Quarter	27,379,979	6,246,111	917,333	.18
3rd Quarter	28,009,367	6,918,940	1,205,928	.19
4th Quarter	37,419,026	8,862,290	1,573,185	.20
Total	$113,959,093	$27,126,745	$4,477,433	$.70

(a) Total of quarterly amounts do not agree to the annual amount due to separate quarterly calculations of weighted average shares outstanding.

13. Interest Expense, Net of Interest Income

Interest expense, net of interest income consisted of the following:

	1998	1997	1996
Interest expense	($422,579)	($444,347)	($163,811)
Interest income	657,622	259,702	116
	$235,044	($184,645)	($163,695)

14. New Standards

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", which is effective for all periods beginning after December 15, 1997. SFAS No. 131 requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to shareholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. Management is currently evaluating the impact of the disclosure requirements of this statement.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities and is effective for years beginning after June 15, 1999. The Company will determine the extent to which SFAS No. 133 applies and adopt the standards established as required.

15. Contingency

On November 6, 1998, two former officers of the Company filed suit against the Company alleging wrongful termination of their employment, failure to make severance payments, wrongful conduct by the Company in connection with the grant of Stock Options to the plaintiffs and wrongfully limited the number of shares of Company stock that could be sold by the plaintiffs. The suit asks for damages of approximately $471,000 plus other unspecified amounts. Management believes the suit is without merit and intends to defend the claim vigorously.

Independent Auditors' Report

Board of Directors
RCM Technologies, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of RCM Technologies, Inc. (a Nevada corporation) and Subsidiaries as of October 31, 1998 and 1997 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended October 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RCM Technologies, Inc. and Subsidiaries as of October 31, 1998 and 1997 and the consolidated results of their operations and their cash flows for each of the three years in the period ended October 31, 1998 in conformity with generally accepted accounting principles.

We have also audited Schedules I and II of RCM Technologies, Inc. and Subsidiaries as of and for each of the three years in the period ended October 31, 1998. In our opinion, these schedules present fairly, in all material respects, the information required to be set forth therein.

/s/ Grant Thornton LLP
Grant Thornton LLP
Philadelphia, Pennsylvania
December 11, 1998

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET
October 31, 1998 and 1997

ASSETS

	1998	1997
Current assets		
Cash	$ 2,069	$ 29,803
Prepaid expenses and other assets	9,865	1,601
Total current assets	11,934	31,404
Other assets		
Deposits	5,695	5,695
Long-term receivables from affiliates	106,672,260	44,619,656
	106,677,955	44,625,351
Total assets	$106,689,889	$ 44,656,755

LIABILITIES AND SHAREHOLDERS' EQUITY

	1998	1997
Current liabilities		
Accounts payable and accrued expenses	$ 17,762	$ 43,770
Shareholders' equity		
Common stock	522,376	379,110
Additional paid in capital	92,997,711	40,877,540
Retained earnings	13,152,040	3,355,335
Total shareholders' equity	106,672,127	44,611,985
Total liabilities and shareholders' equity	$106,689,889	$ 44,656,755

The "Notes to Consolidated Financial Statements" of RCM Technologies, Inc. and subsidiaries are an integral part of these statements.

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF OPERATIONS
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Operating expenses			
Administrative	$ 210,317	$ 166,110	$ 139,280
Operating loss	(210,317)	(166,110)	(139,280)
Other expense			
Non recurring charge		(625,000)	
Miscellaneous expense			(10,261)
		(625,000)	(10,261)
Loss before management fee income	(210,317)	(791,110)	(149,541)
Management fee income	210,317	791,110	149,541
Income before income taxes			
Income taxes			
Income before income in subsidiaries			
Equity in earnings in subsidiaries	9,796,705	4,477,433	2,367,939
Net income	$ 9,796,705	$ 4,477,433	$ 2,367,939

The "Notes to Consolidated Financial Statements" of RCM Technologies, Inc. and subsidiaries are an integral part of these statements.

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Cash flows from operating activities:			
Net income	$ 9,796,705	$ 4,477,433	$ 2,367,939
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(8,264)	131,062	2,274
Accounts payable and accrued expenses	(26,008)	43,770	
	(34,272)	174,832	2,274
Net cash provided by operating activities	9,762,433	4,652,265	2,370,213
Cash flows from investing activities:			
Share in deficiency in assets of subsidiaries	(9,796,705)	(4,477,433)	(2,367,939)
Decrease (increase) in long-term receivables from subsidiaries	(52,256,899)	(23,448,518)	(1,025,065)
Net cash used in investing activities	(62,053,604)	(27,926,011)	(3,393,004)
Cash flows from financing activities:			
Sale of common stock	49,291,445	23,271,723	1,000,000
Exercise of warrants	2,273,278		
Exercise of stock options	698,714	23,240	15,938
Net cash provided by financing activities	52,263,437	23,294,963	1,015,938
Net increase (decrease) in cash and equivalents	(27,734)	21,217	(6,853)
Cash and equivalents at beginning of year	29,803	8,586	1,733
Cash and equivalents at end of year	$ 2,069	$ 29,803	$ 8,586

The "Notes to Consolidated Financial Statements" of RCM Technologies, Inc. and subsidiaries are an integral part of these statements.

SCHEDULE II

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended October 31, 1998, 1997 and 1996

Column A	Column B	Column C		Column D	Column E
		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deduction	Balance at End of Period
Year Ended October 31, 1998					
Allowance for doubtful accounts on trade receivables	$315,748	$170,000			$485,748
Year Ended October 31, 1997					
Allowance for doubtful accounts on trade receivables	$ 76,000	$324,581		$ 84,833	$315,748
Year Ended October 31, 1996					
Allowance for doubtful accounts on trade receivables	$ 15,000	$ 15,320		$ 76,320	$ 76,000

RCM TECHNOLOGIES, INC.
COMPUTATION OF EARNINGS PER COMMON SHARE
Years Ended October 31, 1998, 1997 and 1996

	1998	1997	1996
Diluted earnings			
Net income applicable to common stock	$ 9,796,705	$ 4,477,433	$ 2,367,939
Shares			
Weighted average number of common shares outstanding	8,787,334	6,068,713	4,247,907
Common stock equivalents	364,569	292,468	72,664
Total	9,151,903	6,361,181	4,320,571
Diluted earnings per common share	$1.07	$.70	$.55
Basic			
Net income applicable to common stock	$ 9,796,705	$ 4,477,433	$ 2,367,939
Shares			
Weighted average number of common shares outstanding	8,787,334	6,068,713	4,247,907
Basic earnings per common share	$1.11	$.74	$.56

EXHIBIT INDEX

(10)(h) Amended to Stock Pledge Agreement dated December 28, 1998 by and among RCM Technologies Inc. Cataract, Inc. (F/K/A CI Acquisition Corp.) and the former shareholders of Cataract, Inc.

(11) Computation of Earnings Per Share.

(21) Subsidiaries

(23) Consent of Independent Certified Public Accountants.

(27) Financial Data Schedule

EXHIBIT 21

SUBSIDIARIES

Subsidiary	State of Incorporation
Intertec Design, Inc.	New York
Cataract, Inc.	Pennsylvania
The Consortium	New Jersey
The Consortium of Maryland, Inc.	New Jersey
Programming Alternatives of Minnesota, Inc.	Minnesota
Camelot Contractors, Limited	New Hampshire
Austin Nichols Technical Temporaries, Inc.	Missouri
J. D. Karin Consulting Services, Inc.	New Jersey
Northern Technical Services, Inc.	Wisconsin
Staffworks, Inc.	New Jersey
Global Technology Solutions, Inc.	California
Integrity Systems Professionals, Inc.	Michigan
Software Analysis and Management, Inc.	California

* All subsidiaries of the Registrant do business as RCM Technologies, Inc.

EXHIBIT 23

Consent of Independent Certified Public Accountants

Board of Directors
RCM Technologies, Inc.

We have issued our report dated December 11, 1998 accompanying the consolidated financial statements and schedules included in the Annual Report of RCM Technologies, Inc. and Subsidiaries on Form 10-K for the year ended October 31, 1998. We hereby consent to the incorporation by reference of said report in the Registration Statements of RCM Technologies, Inc. on Forms S-8 File No. 33-61306, File No. 33-80590 and File No. 33-48089.

/s/ Grant Thornton LLP
Grant Thornton LLP
Philadelphia, Pennsylvania
January 11, 1999

AMENDMENT TO
STOCK PLEDGE AGREEMENT

AMENDMENT TO STOCK PLEDGE AGREEMENT entered into this 28th day of December, 1998, by and among RCM Technologies, Inc., a Nevada corporation, Cataract, Inc., a Pennsylvania corporation formerly known as CI Acquisition Corp., and James R. Affleck, Jr., Sarah B. Affleck, Joseph A. Marubbio, Paula Marubbio, Robert L. Starer and Merle A. Starer.

BACKGROUND

A. The parties hereto entered into the Stock Pledge Agreement dated August 30, 1995 (the "Stock Pledge Agreement").

B. The parties hereto wish to amend certain provisions of the Pledge Agreement upon the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual promises contained herein and intending to be legally bound hereby, the parties agree as follows:

1. All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Stock Pledge Agreement.

2. Paragraph 1(c) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(c) The term "Indemnity Obligation" as used herein shall mean all of the obligations of the Acquiree and Acquiree Shareholders of RCM and/or Acquiror under (i) the Merger Agreement, with the exception of Liquidated Damage Obligations, and (ii) the Agreement dated December 28, 1998 by and between Acquiror and the Acquiree Shareholders (the "Settlement Agreement").

3. Paragraph 1(e) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(e) The term "Obligations" as used herein shall mean all of the obligations of the Acquiree and Acquiree Shareholders of RCM and/or Acquiror under (i) the Merger Agreement, including but not limited to those specific obligations under paragraph 6, "Covenants of the Parties to this Agreement," paragraph 10, "Conditions Subsequent" and paragraph 11, "Indemnification" and (ii) the Settlement Agreement.

4. Paragraph 1(f) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(f) The term "Pledged Stock" as used herein shall mean and include 60,000 of the Merger Shares together with all certificates, options, rights or other distributions issued as an addition to, in substitution of or in exchange for, or on account of, any such shares and all proceeds thereof, now or hereafter owned or acquired by Pledgors.

5. Paragraph 2(a) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(a) As collateral security for the prompt satisfaction of all Obligations of Acquiree Shareholders, Pledgors hereby pledge, assign, hypothecate, deliver and set over to Pledgee all of the Pledged Stock and hereby grant Pledgee a lien on and security interest in all of the Pledged Stock and the proceeds thereof.

6. Subparagraph 4(b)(ii) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(ii) If a Pledgor fails to (A) elect and perform under subparagraph (i) above within the required time or (B) satisfy any other Obligation other than a Liquidated Damages Obligation, then and in that event, if such default continues, Pledgee may, in addition to any other available remedy, upon ten (10) days prior written notice to Pledgors, but without any further demand of performance or other demand, advertisement or further notice of any kind to or upon Pledgors or any other person (all and each of which demands, advertisements and notices are, to the extent permitted by law, hereby expressly waived), forthwith collect, receive, appropriate and realize upon the Pledged Stock or any part thereof and may forthwith sell, assign, give an option or options to purchase, contract to sell or otherwise dispose of and deliver the Pledged Stock or any part thereof, in one or more parcels at public or private sale or sales, at any exchange, broker's board or at any of Pledgee's offices or elsewhere at such prices and on such terms (including, but without limitation, a requirement that any purchaser of all or any part of the Pledged Stock purchase the shares constituting the Pledged Stock for investment and without any intention to make a distribution thereof) as it may deem best, for cash or on credit, for future delivery without assumption of any credit risk, with the right to Pledgee or any purchaser upon any such sale or sales, public or private, to purchase the whole or any part of the Pledged Stock so sold free of any right or equity of redemption in Pledgors, which right or equity is hereby expressly waived and released. Notwithstanding any other provision hereof, in the event of a disposition of Pledged Stock arising from the failure of any Pledgor to otherwise satisfy such Shareholder's Allocable Share of any Obligation, the Pledged Stock of that Pledgor shall be disposed of prior to the disposition of Pledged Stock owned by any other Pledgors.

7. Subparagraph 4(e) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(e) Notwithstanding anything to the contrary contained herein, upon the occurrence of a default by the Acquiree Shareholders upon any of their Obligations, which default would entitle Pledgee to exercise its rights under subparagraphs 4(a)(iv) or 4(b)(ii) hereof, Pledgee in its sole discretion shall be entitled to, without notice hereunder, cause the Pledged Stock to be transferred into its name, into the name of any purchaser, its nominee, to dispose of the Pledged Stock, to realize upon any and all rights in the Pledged Stock then held by

Pledgee, or to otherwise take any actions with respect to the Pledged Stock. Except to the extent otherwise prohibited by applicable law, in addition to any rights or remedies available in law or equity and in addition to the provisions contained in any other agreement relating to the Pledged Stock, Pledgee shall not be required to marshal the Pledged Stock or any other security for or guarantee of the Obligations of Pledgors or to resort to the Pledged Stock or any other security or guaranty in any particular order and all of Pledgee's rights hereunder and under any other agreements directly or indirectly related thereto shall be cumulative. Furthermore, Pledgors do hereby agree to execute and deliver or cause to be executed and delivered such instruments, documents, assignments, waivers, certificates, and affidavits and supply or cause to be supplied such further information and take such further action as Pledgee shall require in connection with any such transfer or sales of the Pledged Stock. However, failure of Pledgors to cooperate in executing, delivering or causing to be executed and delivered, such instruments, documents, assignments and the like, shall not hereby affect the rights of Pledgee to act upon or otherwise cause the Pledged Stock to be transferred, sold or disposed of hereunder.

8. Subparagraph 5(c) of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

(c) The shares of the Pledged Stock constitute all of the issued and outstanding shares of the issuer thereof owned of record by, beneficially owned by, or owned in trust for Pledgors as of the date of the Stock Pledge Agreement.

9. Paragraph 8 of the Stock Pledge Agreement is hereby amended to read in its entirety as follows:

8. Term.

This Pledge Agreement shall expire upon the satisfaction of Acquiree Shareholders' obligations under Section 1(a), Section 1(b), the penultimate sentence of Section 1(c) and Section 2 of the Settlement Agreement. Upon such expiration, the Pledge Agreement dated the date hereof by and between Pledgee and the Acquiree Shareholders shall become effective and shall be deemed to have amended and restated this Agreement in its entirety, and the then remaining shares of Pledged Stock, if any, shall be returned to the Acquiree Shareholders, subject to the Irrevocable Proxies granted to Pledgee, as provided in the Settlement Agreement. The certificates evidencing the then remaining shares of Pledged Stock will not bear any legend restricting the transfer thereof.

10. In all other respects, the Stock Pledge Agreement is hereby ratified, approved and confirmed.

DSB:609687.4

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment to Stock Pledge Agreement as of the date first above written.

RCM TECHNOLOGIES, INC.

By: ________________________________
Name:
Title:

CATARACT, INC. (formerly CI Acquisition Corp.)

By: ________________________________
Name:
Title:

James R. Affleck, Jr.

Sarah B. Affleck

Joseph A. Marubbio

Paula Marubbio

Robert L. Starer

Merle A. Starer

ARTICLE 5

THIS SCHEDULE SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS FOR THE YEAR ENDED OCTOBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH STATEMENTS.

CIK: 0000700841

NAME: RCM TECHNOLOGIES, INC.

MULTIPLIER: 1

CURRENCY: U.S. DOLLARS

PERIOD TYPE	12 MOS
FISCAL YEAR END	OCT 31 1998
PERIOD START	NOV 01 1997
PERIOD END	OCT 31 1998
EXCHANGE RATE	1.0
CASH	22,187,536
SECURITIES	0
RECEIVABLES	41,166,268
ALLOWANCES	486,000
INVENTORY	0
CURRENT ASSETS	64,067,613
PP&E	5,041,184
DEPRECIATION	2,437,316
TOTAL ASSETS	117,067,151
CURRENT LIABILITIES	10,395,024
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	522,376
OTHER SE	106,149,751
TOTAL LIABILITY AND EQUITY	117,067,151
SALES	201,452,318
TOTAL REVENUES	201,452,318
CGS	153,028,095
TOTAL COSTS	184,943,158
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	422,579
INCOME PRETAX	16,744,204
INCOME TAX	6,947,499
INCOME CONTINUING	9,796,705
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	9,796,705
EPS PRIMARY	1.11
EPS DILUTED	1.07