RCM TECHNOLOGIES INC

FORM 10-K
(Annual Report)

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Address	2500 MCCLELLAN AVE STE 350
	PENNSAUKEN, New Jersey 08109
Telephone	609-486-1777
CIK	0000700841
Industry	Business Services
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2000
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: (856) 486-1777

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

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

Securities registered pursuant to Section 12(g) of the 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. [X]

The aggregate market value of Common Stock held by non-affiliates of the Registrant on February 28, 2001 was approximately $45,651,000 based upon the closing price of the Common Stock on such date on The Nasdaq National Market of $4.38. 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 five cents per share) outstanding as of February 28, 2001: 10,499,651.

Documents Incorporated by Reference

Portions of the Proxy Statement for the Registrant's 2001 Annual Meeting of Stockholders ("the 2001 Proxy Statement") are incorporated by reference into Items 10,11,12 and 13 in Part III of this Annual Report on Form 10-K. If the 2001 Proxy Statement is not filed by April 30, 2001, an amendment to this Annual Report on Form 10-K setting forth this information will be duly filed with the Securities and Exchange Commission.

PART I

Private Securities Litigation Reform Act Safe Harbor Statement

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. Such risks and uncertainties include, without limitation: (i) unemployment and general economic conditions associated with the provision of information technology and engineering services and solutions and placement of temporary staffing personnel; (ii) the Company's ability to continue to attract, train and retain personnel qualified to meet the 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 pro forma financial information and the underlying assumptions relating to acquisitions and acquired businesses; (v) uncertainties regarding amounts of deferred consideration and earnout payments to become payable to former shareholders of acquired businesses; (vi) 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; (vii) 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; (viii) the Company's ability to obtain financing on satisfactory terms; (ix) the reliance of the Company upon the continued service of its executive officers; (x) the Company's ability to remain competitive in the markets which it serves; (xi) the Company's ability to maintain its unemployment insurance premiums and workers compensation premiums; (xii) the risk of claims being 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; (xv) predictions as to the future need for the Company's services; (xvi) uncertainties relating to the allocation of costs and expenses to each of the Company's operating segments; and (xvii) 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.

ITEM 1. BUSINESS

General

RCM Technologies is a premier provider of end to end technology solutions designed to enhance and maximize the business performance of its customers through the adaptation and deployment of advanced information and engineering technologies. RCM's offices are located in major geographic regions throughout North America. The Company has grown its information technology competencies in the areas of resource augmentation, e-business, Supply Chain Management, Enterprise Resource Planning ("ERP") support, network and infrastructure support and knowledge management. RCM's engineering expertise is in the form of technical design, field engineering, field support, procedures development and project and program management. The Company provides its services to clients in banking & finance, healthcare, insurance, pharmaceutical, telecommunications, utility, technology, manufacturing & distribution and government sectors. The Company believes that the breadth of services it can provide fosters long-term client relationships, affords cross-selling opportunities and minimizes the Company's dependence on any single technology or industry sector.

During the fiscal year ended December 31, 2000, approximately 77% of RCM's total revenues were derived from IT services, 14% from Engineering services and the remaining 9% from Commercial Services and Healthcare.

RCM sells and delivers its services through a network of 64 branch offices located in selected regions throughout North America. The Company has implemented a regional infrastructure to obtain greater synergy and operating efficiencies within geographic territories. This strategy has allowed for the reduction of certain duplicated tasks and has better focused the Company on the territories that hold the greatest growth potential.

Growth in demand for IT consulting services has slowed in the past year after many years of rapid growth. Despite a sales slow down, RCM has competed successfully in this changing environment and achieved positive growth of the gross margins for the services delivered.

Industry Overview

Businesses today face intense competition, the challenge of constant technological change, and the ongoing need for business process optimization. Companies are turning to IT solutions to address these issues and to compete more effectively. As a result, the ability of an organization to integrate and deploy new information technologies has become critical.

Although many companies have recognized the importance of IT systems and products to competing in today's business climate, the process of designing, developing and implementing IT solutions has become increasingly complex. Some companies continue to migrate away from centralized mainframes running proprietary software toward decentralized, scalable architectures based on personal computers, client/server architectures, local and wide area networks, the Internet, shared databases and packaged application software. These advances have enhanced the ability of companies to benefit from the application of IT systems and solutions. Consequently, the number of companies and the number of end users within these organizations desiring to use IT systems and solutions in new ways are rising rapidly.

As a result of the variety and complexity of these new technologies, IT managers must integrate and manage computing environments consisting of multiple computing platforms, operating systems, databases and networking protocols, and must implement off-the-shelf software applications to support business objectives. Companies also need to continually keep pace with new developments in technology, which often render existing equipment and internal skills obsolete. At the same time, external economic factors have caused some organizations to focus on core competencies and trim workforces in the IT management area. Accordingly, these organizations often lack the quantity, quality and variety of IT skills necessary to design and develop IT solutions. IT managers are charged with developing and supporting increasingly complex systems and applications of significant strategic value, while working under budgetary, personnel and expertise constraints within their own organizations.

Industry Overview (Continued)

The Company believes the strongest demand for IT services is among middle-market companies, which typically lack the time and technical resources to satisfy all of there IT needs internally. These companies typically require sophisticated, experienced IT assistance to achieve their business objectives. These companies often rely on IT service providers to help implement and manage their systems. However, many middle-market companies rely on multiple providers for their IT needs. Generally, the Company believes that this reliance on multiple providers results from the fact that larger IT service providers do not target these companies, while smaller IT service providers lack sufficient breadth of services or industry knowledge to satisfy all of these companies' needs. The Company believes this reliance on multiple service providers creates multiple relationships that are more difficult and less cost-effective to manage than a single relationship would be and can adversely impact the quality and compatibility of IT solutions. RCM is structured to provide middle-market companies an objective, single-source for their IT needs.

Business Strategy

RCM is dedicated to providing solutions to meet its customers' business needs by delivering information technology and professional engineering services. The Company's objective is to be a recognized leader of specialty professional consulting services and solutions in major markets throughout North America. The Company has developed operating strategies to achieve this objective. Key elements of its growth and operating strategies are as follows:

Growth Strategy

Full Cycle Solution Capability. The Company intends to build out its Full Cycle Solution Capability. The goal of the full cycle strategy is to fully address a client's project implementation cycle. This entails the Company working with its clients from the initial conceptualization of a project through its design and project execution, and extending into ongoing management and support of the delivered product. RCM's strategy is to selectively build projects and solutions offerings which utilize its extensive resource base. The Company believes that the effective execution of this strategy will generate improved margins on the existing resources. The completion of this service-offering continuum affords the Company the opportunity to strengthen long-term client relationships that will further improve the quality of earnings.

In addition to building out the Full Cycle Solution Offering, the Company will continue to focus on transitioning into higher value oriented services to increase its margins on its various service lines. These measures will be accomplished through expansion of its client relationships and, at the same time, pursuing strategic alliances and partnerships.

Promote Internal Growth. The Company continues to evolve its internal growth strategies. Several initiatives were launched during the year ended December 31, 2000 ("fiscal 2000"). The results of these efforts have produced gains in margin growth, RCM's customer service focus, national account coordination and greater client penetration.

Gross margins increased as a direct result of implementing a program at all operating branches of the Company to conduct business at certain margin thresholds. The policies developed during this initiative continue to be refined and administered so the results are expected to continue the positive trend.

Growth Strategy (Continued)

In geographic regions where the Company has a high density of offices, sales management programs were designed and implemented to segregate clients into regional accounts. This process has provided a higher degree of account coordination so clients can benefit from the wider array of services that are offered by the Company.

During fiscal 2000, RCM continued a company-wide training initiative in which sales managers and professionals received advanced sales training. The purpose of the training, which is a multi-semester program, is to sharpen sales skills and to further assist the sales force in identifying, developing and closing solution sales.

RCM has adopted an industry-centric approach to sales and marketing. This initiative recognizes that all clients within the same industry sectors have common business challenges. It therefore allows the Company to present and deliver enhanced value to those clients in the industrial sectors in which RCM has assembled the greatest work experience. RCM's consultants have acquired project experience that offers differentiated awareness of the business challenges that clients in that industry are facing. This alignment also facilitates and creates additional cross-selling opportunities. The result, we believe, is greater account penetration and enhanced client relationships.

Operational strategies contributing to RCM's internal productivity include the delineation of certain new technical practice areas in markets where its clients had historically known the Company as a contract service provider. The formation of these practice areas has facilitated the flow of project opportunities and the delivery of project-based solutions. These projects have had the positive effect of expanding the margins for the core technical competencies of a number of Company consultants.

Continue Selective Strategic Acquisitions. The industry for the Company's services continues to be highly fragmented, and the Company plans to continue to assess opportunities to make strategic acquisitions as such opportunities are presented to the Company. The Company's past acquisition strategy has been designed to broaden the scope of services and technical competencies and maintain its Full Cycle Solution capabilities ,and the Company would seek to further achieve such goals in any future acquisitions. In considering acquisitions, the Company focuses on companies with (i) technologies RCM has targeted for strategic value enhancement,
(ii) margins that will not dilute the margins now being delivered, (iii) experienced management personnel, (iv) substantial growth prospects and (v) 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.

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 local market knowledge, 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 responds to local market demands and enhances the Company's ability to motivate, attract and retain managers and to maximize growth and profitability.

Operating Strategy (Continued)

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 that the Company believes is used by many of its competitors. The industry-centric strategy implemented during fiscal 2000 has allowed RCM to further expand its relationships with clients in RCM's targeted sectors. To develop close customer relationships, the Company's practice 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 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 in designing business solutions, it generates new opportunities to cross sell additional services that the Company has to offer. The Company focuses on providing customers with qualified individuals or teams of experts compatible with the business needs of our customers and makes a concerted effort to follow the progress of such relationships to ensure their continued success.

Attract and Retain Highly Qualified Consultants and Technical Resources. The Company believes it has been successful in attracting and retaining qualified consultants and contractors 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 these personnel due in part to its use of practice managers or "ombudsmen" who are dedicated to maintaining contact with, and monitoring the satisfaction levels of, the Company's consultants 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 and efficiently control and monitor its operations, and allows acquired companies to focus on growing their sales and operations.

To accomplish this, the Company is centralized on an SAP operating system into which it integrated all of its operating units. This year all Canadian operations implemented the SAP system completing the roll out to all locations. The software is configured to perform all back office functions including payroll, project management, project cost accounting, billing, human resource administration and all financial consolidation and reporting functions. The Company believes that this system provides a robust and highly scalable platform from which to manage daily operations, and that this system has the capacity to accommodate increased usage.

Information Technology

The Company's Information Technology Group offers responsive, timely and comprehensive business and information technology consulting and 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 e-business development, supply chain enterprise software, application integration, network communications, knowledge management and support of client applications.

Information Technology (Continued)

The Company has a wide array of service offerings and deliverables within this spectrum. Within its e-business offering, RCM delivers web strategies, web enablement of client applications, e-commerce solutions, Intranet solutions, corporate portals and complete web sites. Within its business intelligence practice, RCM provides data architecture design, data warehousing projects, knowledge management, customer relationship management and supply chain management solutions. In its ERP practices, RCM delivers software sales for certain applications, implementation services, infrastructure support, integration services, and an array of post implementation support services. In its enterprise application integration work, the Company integrates diverse but related enterprise applications into unified cohesive operating environments. The Company believes that its ability to deliver information technology solutions across a wide range of technical platforms provides an important competitive advantage. The Company also ensures that its consultants have the expertise and skills needed to keep pace with rapidly evolving information technologies. The Company's strategy is to maintain expertise and acquire knowledge in multiple technologies so it can offer its clients non-biased solutions best suited to their business needs.

The Company provides its IT services through a number of delivery methods. These include management consulting engagements, project management of client efforts, project implementation of client initiatives, outsourcing, both on and off site, and a full complement of resourcing alternatives.

As of December 31, 2000, the Company employed approximately 2,050 information technology personnel.

Professional Engineering

The Company's Professional Engineering Group provides personnel to perform project engineering, computer aided design, and other managed task 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 developed an expertise in providing engineering, design and technical services to many customers in the aeronautical, paper products manufacturing and nuclear power, fossil fuel and electric utilities 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 Company provides its engineering services through a number of delivery methods. These include managed tasks and resources, complete project services, outsourcing, both on and off site, and a full complement of resourcing alternatives.

As of December 31, 2000, the Company employed approximately 450 engineering personnel.

Commercial Services

The Company's Commercial Services Group consists of Specialty Healthcare and General Support Services. The Company's General Support Services 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 Company's Specialty Healthcare Group provides skilled, licensed healthcare professionals, primarily physical therapists, occupational therapists, speech language pathologists and trauma nurses. The Specialty Healthcare Group provides services to hospitals, nursing homes, pre-schools, sports medicine facilities and private practices. Services include in-patient, outpatient, sub-acute and acute care, rehabilitation, geriatric, pediatric and adult day care. The Specialty Healthcare Group does not provide general nursing or home healthcare services. Typical engagements range either from three to six months or are on a day-to-day shift basis.

ITEM 1. BUSINESS (CONTINUED)

Branch Offices

The Company's organization consists of six operating regions with 64 branch offices located in 22 states and Canada. 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	2	IT, PE
Maryland	1	IT
New Hampshire	1	IT
New Jersey	8	IT, PE, CS
New York	3	IT, PE,CS, HC
Pennsylvania	3	IT, PE, CS
Vermont	1	PE
	-	
	19	
MIDWEST		
Illinois	2	IT
Indiana	1	IT
Michigan	6	IT, PE
Minnesota	1	IT
Ohio	1	IT
Wisconsin	5	IT, PE
	-	
	16	
SOUTHEAST		
Alabama	1	PE
Florida	1	IT
Georgia	1	PE
South Carolina	1	PE
Virginia	2	IT
	-	
	6	
SOUTHWEST		
Arizona	1	PE
Texas	5	IT
	-	
	6	
WEST		
Colorado	1	IT
Northern California	3	IT
Southern California	9	IT, CS
	-	
	13	
CANADA	4	IT, PE
	-	

(1) Services provided are abbreviated as follows:

IT - Information Technology

PE - Professional Engineering CS - Commercial Services
HC - Healthcare

Branch Offices (Continued)

Branch offices are primarily located in regions that the Company believes have strong growth prospects for information technology and engineering services. The Company's branches are operated in a decentralized, entrepreneurial manner with most branch offices operating as independent profit centers. 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.

The Company believes that a substantial portion of the buying decisions made by users of the Company's 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 their local 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 it's headquarter locations in New Jersey, the Company provides its branch offices with centralized administrative, marketing, finance, MIS, human resources 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 and practice development activities. The Company believes that its ability to rapidly integrate the administrative functions of its acquisitions has greatly enhanced its internal growth.

Most of the branch offices have one General Manager, one sales manager, three to six salespeople, one to five practice managers and several recruiters. The General Managers report to Regional Managers who are responsible for ensuring performance goals are achieved. The Company's branch managers meet frequently to discuss "best practices" and ways to increase the Company's cross selling of its professional services. The Company's practice managers meet periodically to strategize, maintain continuity, and identify developmental needs and cross-selling opportunities.

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 that 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 solutions for all aspects of a customer's information technology, engineering and other professional services 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.

The Company has elevated the importance of working with and developing its partner alliances with technology firms. Partner programs are in place with firms RCM has identified as strategically important to the completeness of the service offering of the Company. Relations have been established with firms such as Microsoft, i2, QAD, Dorado, GEAC, IBM, Compaq and Oracle among others. The Partner programs may be managed either at a national level from RCM's corporate offices or at a regional level from its offices.

Some of the Company's larger representative customers include 3M, Adelphia Cable Communications, Apple, AT&T, BASF, Liberty Mutual Insurance, Lockheed Martin, Medtronic, Merck, Merrill Lynch, Ontario Power, Sprint, Sun Microsystems, Toyota, Verizon, Vermont Yankee Nuclear Power, U.S. Treasury and Wells Fargo. The Company serves Fortune 1000 companies and many middle market clients. The Company's relationships with these customers are typically formed at the local or regional level, as the Company does not actively solicit national contracts, which typically subject the suppliers to significant pricing pressures.

Sales And Marketing (Continued)

During fiscal 2000, no one customer accounted for more than 6% of the Company's revenues. The Company's five and ten largest customers accounted for approximately 17% and 23%, respectively, of the Company's revenues for fiscal 2000.

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 personnel. Full-time recruiters utilize the Company's proprietary databases of available personnel, which are cross-indexed by competency and skill to match potential candidates with the specific project requirements of the customer. The qualified personnel in the databases are identified through numerous activities, including networking, referrals, the Internet, job fairs, schools, 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, and other European and Southeast Asian countries.

The Company believes that a significant element to the Company's success in retaining qualified consultants and contract personnel is the Company's use of Consultant Relationship Managers ("CRM") and technical practice managers. CRM are qualified Company personnel dedicated to maintaining on-site contact with, and monitoring the satisfaction levels of, the Company's consultants and contract personnel while they are on assignment. Practice managers are consulting managers responsible for the technical development and career development of the Company's technical personnel within the defined practice areas. The Company employs various methods of technical training and skills development including sending consultants to application vendor provided courses, the use of computer-based training tools and on-the-job training through mentoring programs.

Information Systems

The Company has invested, and intends to continue to invest, in the SAP R/3 software that it has installed. This system is deployed on clustered Compaq servers and is running on a SQL 7.0 database. The branch offices of the Company are networked to the corporate offices so the SAP application is accessed at all operational locations. This system supports Company-wide operations such as payroll, billing, human resources, project systems, accounts receivable, accounts payable, all general ledger accounting and consolidation reporting functionality. In addition to SAP, each of the service groups maintains databases to permit efficient tracking of available personnel on a local basis. These databases facilitate efficient matching of customers' requirements with available technical 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 integration process within three months after the acquisition.

Competition

The market for IT and engineering services includes a large number of competitors, is subject to rapid change and is highly competitive. Primary competitors include participants from a variety of market segments, including publicly and privately held firms, systems consulting and implementation firms, application software firms, service groups of computer equipment companies, facilities management companies, general management consulting firms and staffing companies. In addition, the Company competes with its clients' internal resources, particularly where these resources represent a fixed cost to the client. Such competition may impose additional pricing pressures on the Company.

The Company believes its principal competitive advantages in the IT and professional engineering services market include: focus on the middle market, breadth of services offered, technical expertise, knowledge and experience in the industry, perceived value, quality of service, responsiveness to client needs and speed in delivering IT solutions.

ITEM 1. BUSINESS (CONTINUED)

Competition (Continued)

Additionally, the Company competes for suitable acquisition candidates based on its differentiated acquisition model, 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 expansion of a growing provider of information technology and other engineering services.

Employees

As of December 31, 2000, the Company employed an administrative staff of approximately 400 people, including certified information technology specialists and licensed professional engineers who, from time to time, participate in IT and engineering design projects undertaken by the Company. As of December 31, 2000, approximately 2,050 information technology professionals and 450 engineering and technical personnel were employed by the Company to work on client projects for various periods. The Company also employed approximately 1,300 temporary personnel as of December 31, 2000. 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

The Company provides specialty professional consulting services, principally performed at various client locations, through 64 offices in 22 states and Canada. The Company's administrative and sales offices typically 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 it will be difficult to maintain or find suitable lease space at reasonable rates in its markets or in areas where the Company contemplates expansion.

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 $12.00 per square foot per month for a term ending on January 31, 2003.

ITEM 3. LEGAL PROCEEDINGS

On November 6, 1998, two former officers filed suit against the Company alleging wrongful termination of their employment, failure to make severance payments and wrongful conduct by the Company in connection with the grant and ultimate divestiture of Stock Options to the plaintiffs. The complaint also alleges the Company wrongfully limited the number of shares of Company stock that could be sold by the plaintiffs and makes various other claims including a claim for punitive damages. In the suit, the plaintiffs seek damages of approximately $480,000 plus other unspecified amounts. The claims relating to wrongful termination of employment and wrongful conduct by the Company in connection with the grant of Stock Options to the plaintiffs have been submitted to binding arbitration; closing arguments in that proceeding are scheduled for March 30, 2001. In addition, the Company is currently awaiting the court's decision on the Company's summary judgment motion addressing the plaintiffs claims with respect to its allegedly wrongful limiting the number of shares the plaintiffs could sell. The Company will shortly be seeking a summary judgment from the court with respect to the plaintiffs claims concerning allegedly wrongful conduct by the Company in connection with the divestiture of the plaintiffs' stock options. Management believes the suit is without merit and has defended the claims vigorously.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the quarter ended December 31, 2000.

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". The following table sets forth approximate high and low sales prices for the two years in the period ended December 31, 2000 as reported by The Nasdaq National Market:

	Common Stock	
	High	Low
Fiscal 1999		
First Quarter	$26.44	$10.63
Second Quarter	17.38	10.32
Third Quarter	14.88	10.44
Fourth Quarter	$18.38	$10.06
Fiscal 2000		
First Quarter	$19.13	$10.50
Second Quarter	12.94	7.25
Third Quarter	8.25	3.88
Fourth Quarter	$ 5.69	$ 2.38

Holders

As of February 26, 2001, the approximate number of holders of record of the Company's Common Stock was 1,100. 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 is approximately 5,600.

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 (as defined in Item 7 hereof) prohibits the payment of dividends or distributions on account of the Company's capital stock without the prior consent of the majority of the Company's lenders.

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.

	Year Ended	Two Months Ended	Years Ended		
	December 31,		October 31,		
	2000	1999	1999	1998	1997
Income Statement					
Revenues	$296,001,276	$51,397,429	$313,385,772	$201,452,318	$113,959,093
Gross profit	78,485,616	13,218,972	76,639,326	48,424,223	27,126,745
Income before unusual items	16,910,326	2,050,993			
Unusual items	(38,806,712)				
Income (loss) from continuing operations	(21,896,386)	2,050,993	14,948,248	9,796,705	4,839,933
Loss from discontinued operations					(362,500)
Net income (loss)	($ 21,896,386)	$2,050,993	$14,948,248	$ 9,796,705	$ 4,477,433
Earnings Per Share (1)					
Income (loss) from continuing operations (diluted)	($2.09)	$.19	$1.37	$1.07	$.76
Loss from discontinued operations (diluted)					($.06)
Net income (loss) (diluted)	($2.09)	$.19	$1.37	$1.07	$.70
Net income (loss) (basic)	($2.09)	$.20	$1.43	$1.11	$.74

	December 31,		October 31,		
	2000	1999	1999	1998	1997
Balance Sheet					
Working capital	$56,508,604	$61,383,437	$54,866,477	$53,672,589	$17,279,115
Total assets	174,268,828	183,950,884	184,047,546	117,067,151	54,082,596
Long term liabilities	49,483,873	47,300,000	40,800,000		308,129
Total liabilities	72,206,502	59,854,255	62,045,376	10,395,024	9,471,611
Shareholders' equity	$102,062,326	$124,096,629	$122,002,170	$106,672,127	$44,611,985
(1) Shares used in computing earnings per share					
Basic	10,499,305	10,496,225	10,484,764	8,787,334	6,068,713
Diluted	10,499,305	10,951,447	10,942,146	9,151,903	6,361,181

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

RCM Technologies is a premier provider of end to end technology solutions designed to enhance and maximize the business performance of its customers through the adaptation and deployment of advanced information and engineering technologies. RCM's offices are located in major geographic regions throughout North America. The Company has grown its information technology competencies in the areas of resource augmentation, e-business, Supply Chain Management, Enterprise Resource Planning ("ERP") support, network and infrastructure support and knowledge management. RCM's engineering expertise is in the form of technical design, field engineering, field support, procedures development and project and program management. The Company provides its services to clients in banking & finance, healthcare, insurance, pharmaceutical, telecommunications, utility, technology, manufacturing & distribution and government sectors. The Company believes that the breadth of services it can provide fosters long-term client relationships, affords cross-selling opportunities and minimizes the Company's dependence on any single technology or industry sector.

RCM sells and delivers its services through a network of branch offices located in selected regions throughout North America. The Company has executed a geographic expansion and diversification strategy that places it in the major markets for the services that the Company offers. This strategy has been accomplished through the combination of a concerted and disciplined acquisition program, coupled with an organic growth strategy.

Many businesses today are facing intense competition, the challenge of accelerating technological change, and the ongoing need for business process re-engineering to take advantage of the Internet's potential to bring them closer to their suppliers and customers. Increasingly, these companies are also suffering from a shortage of qualified expert employees who can build these solutions. As a result, the ability of an organization to effectively compete is critically reliant on its ability to introduce and integrate these emerging technologies in a timely fashion.

Although many companies have recognized the importance of the Internet and information management technologies to competing in today's business climate, the process of designing, developing and implementing these solutions has become increasingly complex. Companies continue to migrate away from centralized computing environments toward decentralized, scalable architectures based on local and wide area networks, the Internet, Intranets, shared databases and collaborative application software bringing them closer to their clients and suppliers. These advances have enhanced the ability of companies to benefit from the application of IT systems and solutions. Consequently, the number of companies desiring to deploy these systems and solutions and the number of connected users within these networks are rising rapidly.

As a result of the variety and complexity of these new technologies, IT managers must integrate and manage computing environments consisting of multiple computing platforms, operating systems, databases and networking protocols, and must implement packaged software applications to support business objectives. Companies also need to continually keep pace with new developments, which often render existing equipment and internal skills obsolete. At the same time, the rampant pace of these developments has left many companies unable to keep their permanent staffs abreast in the technology evolution. Consequently, business drivers cause IT managers to develop and support increasingly complex systems and applications of significant strategic value, while working under budgetary, personnel and expertise constraints within their own organizations. Many have increasingly turned to consultants to assist them.

The Company realizes revenues from client engagements that range from the placement of contract and temporary technical consultants to project assignments that are based on defined deliverables. These services are primarily provided to the client at hourly rates that are established for each of the Company's consultants, based upon their skill level and experience and the type of work performed. The Company also provides project management and consulting work 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 for professional staffing services. The Company is expanding its sales of higher margin consulting and project management services.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Overview (Continued)

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 consultants, including payroll taxes, employee benefits and insurances. Selling, general and administrative expenses consist primarily of salaries and benefits of personnel responsible for business development, recruiting, operating activities and training, 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 a 20-year period effective January 1, 2000. See Footnote 1 to financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

Results of Operations (In thousands, except for earnings per share data)

	Year Ended December 31, 2000		Year Ended October 31, 1999		Year Ended October 31, 1998	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues	$296,000	100.0%	$313,386	100.0%	$201,452	100.0%
Cost of services	217,516	73.5	236,747	75.5	153,028	76.0
Gross profit	78,486	26.5	76,639	24.5	48,424	24.0
Selling, general and administrative	54,846	18.5	48,089	15.3	30,461	15.1
Depreciation	1,154	.4	863	.3	424	.2
	56,000	18.9	48,952	15.6	30,885	15.3
Income before other expense (income), income taxes, goodwill amortization, and unusual charges	22,486	7.6	27,687	8.9	17,539	8.7
Other expense (income)	(3,702)	(1.3)	(920)	(.3)	235	.1
Income before income taxes and goodwill amortization	18,784	6.3	26,767	8.6	17,774	8.8
Income taxes	7,673	2.6	10,287	3.3	6,754	3.3
Income before goodwill amortization	11,111	3.7	16,480	5.3	11,020	5.5
Goodwill amortization, net of income tax benefits	(4,390)	(1.5)	(1,532)	(.5)	(1,223)	(.7)
Restructuring and unusual charges, net of tax benefits	(28,617)	(9.7)				
Net income (loss)	($ 21,896)	(7.4)	$14,948	4.8	$ 9,797	4.8%
Earnings per share						
Basic:						
Income before goodwill amortization	$1.06		$1.58		$1.25	
Goodwill amortization	(.42)		(.15)		(.14)	
Unusual charges	(2.73)					
Net income (loss)	($2.09)		$1.43		$1.11	
Diluted:						
Income before goodwill amortization	$1.06		$1.51		$1.20	
Goodwill amortization	(.42)		(.14)		(.13)	
Unusual charges	(2.73)					
Net income (loss)	($2.09)		$1.37		$1.07	

The above summary is not a presentation of results of operations under generally accepted accounting principles and should not be considered in isolation or as an alternative to results of operations as an indication of the Company's performance.

Year Ended December 31, 2000 Compared to Year Ended October 31, 1999

General. The Company changed its fiscal year end to December 31 from October 31. Accordingly, the following discussion compares the twelve-month period ended December 31, 2000 ("fiscal 2000") with the twelve-month period ended October 31, 1999 ("fiscal 1999").

Revenues. Revenues decreased 5.5%, or $17.4 million, for fiscal 2000 as compared to fiscal 1999. Revenue decline was primarily attributable to a loss of certain engineering contracts and softness in the Information Technology ("IT") sector.

Year Ended December 31, 2000 Compared to Year Ended October 31, 1999
(Continued)

Cost of Services. Cost of services decreased 8.1%, or $19.2 million, for fiscal 2000 as compared to fiscal 1999. This decrease was primarily due to a decrease in salaries and compensation associated with the decreased revenues experienced during fiscal 2000 that was partially offset by an increase in gross margin percentage from Information Technology. Cost of services as a percentage of revenues decreased to 73.5% for fiscal 2000 from 75.5% for fiscal 1999. This decline was primarily attributable to a continuing increase of the Company's revenues being derived from information technology and other professional services, which offer higher margins than other services.

Selling, General and Administrative. Selling, general and administrative expenses increased 14.1%, or $6.8 million, for fiscal 2000 as compared to fiscal 1999. Selling, general and administrative expenses as a percentage of revenues increased to 18.5% for fiscal 2000 as compared to 15.3% for fiscal 1999. The increase in percentage was primarily attributable to increased expenditures required to upgrade and support back office administrative systems as well as expenditures attributable to acquisitions subsequent to December 31, 1999.

Depreciation. Depreciation increased 33.7%, or $291,000, for fiscal 2000 as compared to fiscal 1999. This increase was primarily due to the depreciation of property and equipment associated with infrastructure improvements that occurred during the previous fiscal periods.

Other (Expense) Income, Net. Other (expense) income consists principally of interest expense, net of interest income. For fiscal 2000, actual interest expense of $4.0 million was offset by $315,000 of interest income, which was earned from the investment in interest bearing deposits. Interest expense, net increased 302%, or $2.8 million for fiscal 2000 as compared to fiscal year 1999. This increase was primarily due to the increased borrowing requirements necessary to complete acquisitions subsequent to December 31, 1999, as well as to fund working capital requirements.

Income Tax. Income tax expense decreased $13.2 million, for fiscal 2000 as compared to fiscal 1999. This decline was attributable to a net loss for fiscal year 2000 arising in taxes recoverable of $7.4 million at December 31, 2000.

Goodwill Amortization. Goodwill amortization for fiscal 2000 and fiscal 1999 was net of income tax benefit of $1.1 million and $654,000, respectively. Goodwill amortization net of tax benefit increased 186.6% or $2.9 million for fiscal 2000 as compared to fiscal 1999. This increase was primarily due to a change in the amortization period of goodwill associated with acquisitions from 40 years to 20 years effective January 1, 2000. See footnote 1 to the financial statements.

Restructuring and Non-Recurring Charges. In the third quarter of 2000, the Company recorded an impairment of goodwill in connection with a review of the carrying value of its goodwill, a restructuring charge associated with the consolidation of certain offices and certain non recurring items associated with the integration of employee benefit plans and vacation plans in the amounts of $35.3 million, $1.4 million and $2.1 million, respectively. Restructuring and non-recurring charges reduced income before the related tax benefits for fiscal 2000 by $38.8 million, and by $28.6 million after the related tax benefits.

Year Ended October 31, 1999 Compared to Year Ended October 31, 1998

Revenues. Revenues increased 55.6%, or $111.9 million, for fiscal 1999 as compared to fiscal 1998. Revenue growth was primarily attributable to acquisitions and internal growth. The Company completed 14 acquisitions in fiscal 1999, aggregating approximately $81.8 million in revenues for their respective latest twelve months prior to acquisition. Acquired companies contributed $61.5 million of revenues in fiscal 1999 as compared to $70.2 million in revenues for fiscal 1998.

Year Ended October 31, 1999 Compared to Year Ended October 31, 1998
(Continued)

Cost of Services. Cost of services increased 54.7%, or $83.7 million, for fiscal 1999 as compared to fiscal 1998. This increase was primarily due to increased salaries and compensation associated with the increased revenues experienced during fiscal 1999. Cost of services as a percentage of revenues decreased to 75.5% for fiscal 1999 from 76.0% for fiscal 1998. This decline was primarily attributable to a continuing increase of the Company's revenues being derived from information technology and other professional services, which offer higher margins than other services.

Selling, General and Administrative. Selling, general and administrative expenses increased 57.9%, or $17.6 million, for fiscal 1999 as compared to fiscal 1998. This increase was primarily attributable to a 55.6% increase in revenues that required additional administrative, marketing and sales expenses in fiscal 1999 as compared to fiscal 1998. Selling, general and administrative expenses as a percentage of revenues increased to 15.3% for fiscal 1999 as compared to 15.1% for fiscal 1998. This increase in percentage was primarily attributable to increased expenditures required to upgrade and support back office administrative systems.

Depreciation. Depreciation increased 103.5%, or $439,000, for fiscal 1999 as compared to fiscal 1998. This increase was primarily due to the depreciation of property and equipment associated with infrastructure improvements that occurred during the previous fiscal periods.

Other (Expense) Income, Net. Other (expense) income consists principally of interest expense, net of interest income. For the fiscal year 1999, actual interest expense of $1.2 million was offset by $277,000 of interest income, which was earned from the investment in interest bearing deposits. Interest expense, net increased 183.3% or $775,000, for the fiscal year 1999 as compared to fiscal year 1998. This increase was primarily due to the increased borrowing requirements necessary to complete 14 acquisitions as well as to fund working capital requirements.

Goodwill Amortization. Goodwill amortization for fiscal year 1999 and 1998 was net of income tax benefit of $654,000 and $192,000, respectively. Goodwill amortization net of tax benefit increased 25.3% or $309,000 for fiscal 1999 as compared to fiscal 1998. This increase was primarily due to the amortization of intangible assets acquired in connection with the acquisitions completed during fiscal 1999 and 1998.

Income Tax. Income tax expense increased 52.3%, or $3.5 million, for fiscal 1999 as compared to fiscal 1998. This increase was primarily due to increased levels of income before taxes.

Liquidity And Capital Resources

Operating activities provided $26.7 million of cash for fiscal 2000 as compared to operating activities using $3.8 million and $2.2 million of cash during fiscal 1999 and 1998, respectively. The increase in cash provided by operating activities in fiscal 2000 was primarily attributable to increased levels of depreciation and amortization associated with the acquisitions subsequent to December 31, 1999, an increase in restructuring charges, accounts payable, accrued expenses, accrued payroll, withheld income taxes and income taxes payable and a decrease in accounts receivable which was partially offset by increases in income tax receivables, deferred tax assets and prepaid expenses.

Investing activities used $27.4 million for fiscal 2000 as compared to using $58.0 million and $26.8 million in fiscal 1999 and 1998, respectively. The reduction in the use of cash for the fiscal year 2000 as compared to fiscal 1999 was primarily attributable to a reduction in acquisition payments and deferred consideration payments.

Financing activities provided $43,000, $41.3 million and $50.3 million for fiscal years 2000, 1999 and 1998, respectively.

The Company and its subsidiaries entered into an agreement with Mellon Bank N.A., administrative agent for a syndicate of banks, which provides a $75.0 million Revolving Credit Facility (the "Revolving Credit Facility"). The Revolving Credit Facility was amended on September 18, 2000. Borrowings under the Revolving Credit Facility bear interest at one of two alternative rates, as selected by the Company. These alternatives are: 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 2002. The amount outstanding under the Revolving Credit Facility at December 31, 2000 was $47.3 million.

The Company anticipates that its primary uses of capital in future periods will be for working capital purposes. Funding for any future 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 from time to time engages in discussions with potential acquisition candidates. As the size of the Company and its financial resources increase, however, acquisition opportunities requiring significant commitments of capital may arise. In order to pursue such opportunities, the Company may be required to incur debt or issue potentially dilutive securities in the future. No assurance can be given as to the Company's future acquisition and expansion opportunities or how such opportunities will be financed.

The Company does not currently have material commitments for capital expenditures and does not anticipate entering into any such commitments during the next twelve months. 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.

The Company is involved in several litigation matters. See Note 17 to the Financial Statements. Should a significant number of such matters be resolved against the Company, the Company will need to devote capital it anticipates using for other purposes to such litigation matters, which could result in an increased need for capital.

Seasonal Variations

The number of billing days in the quarter and the seasonality of its customers' businesses affect the Company's quarterly results. The Company usually experiences higher revenues in its first and second quarters due to increased economic activity and experiences lower revenues in the third and fourth quarters of the fiscal years.

Impact of Inflation

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

Recently Issued Accounting Standards

In April 1998, Statement of Position ("SOP") 98-5, reporting on the "Costs of Start-up Activities", was issued. This SOP provides guidance on the financial reporting of start-up and organization costs and requires that these costs be expensed as incurred. The provisions of SOP 98-5 are effective for financial statements for fiscal years beginning after December 15, 1998. The Company adopted the provisions of this SOP on November 1, 1999. The adoption of SOP 98-5 did not have a material impact on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investment portfolio. The Company does not have any derivative financial instruments in its portfolio. The Company places its investments in instruments that meet high credit quality standards. The Company is adverse to principal loss and ensures the safety and preservation of its invested funds by limiting default risk, market risk and reinvestment risk. As of December 31, 2000, the Company's investments consisted of cash and money market funds. The Company does not expect any material loss with respect to its investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The Company's financial statements, together with the report of the Company's independent auditors, begin 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

The information in the 2000 Proxy Statement beginning immediately following the caption "ELECTION OF DIRECTORS" to, but not including, the caption "EXECUTIVE COMPENSATION" and the additional information in the 2000 Proxy Statement beginning immediately following the caption "COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT" to, but not including, the caption "BOARD MEETINGS AND COMMITTEES" is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information in the 2000 Proxy Statement beginning immediately following the caption "EXECUTIVE COMPENSATION" to, but not including, the caption "COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS" and the additional information in the 2000 Proxy Statement beginning immediately following the caption "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" to, but not including, the caption "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information in the 2000 Proxy Statement beginning immediately following the caption "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT" to, but not including, the caption "ELECTION OF DIRECTORS" is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information in the 2000 Proxy Statement beginning immediately following the caption "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" to, but not including, the caption "APPROVAL OF THE RCM TECHNOLOGIES, INC. EMPLOYEE STOCK PURCHASE PLAN AND NON-QUALIFIED DEFERRED COMPENSATION PLAN" is incorporated herein by reference.

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

None.

(c) Exhibits

(3)(a) Articles of Incorporation, as amended; incorporated by reference to Exhibit 3(a) to the Registrant's Form 10-K dated October 31, 1994.

(3)(b) Bylaws, as amended; incorporated by reference to Exhibit 3 to 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 to the Registrant's Current Report on Form 8-K dated March 21, 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; incorporated by reference to Exhibit 10 to the Registrant's Quarterly Report on Form 10-Q dated July 31, 1998.

(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) to 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) to the Registrant's Registration Statement on Form S-1 dated March 21, 1997 (Commission File No. 333-23753).

* (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) to the 1996 10-K.

(10)(g) 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) to the Registrant's Current Report on Form 8-K dated March 19, 1996.

(10)(h) RCM Technologies, Inc. 2000 Employee Stock Incentive Plan; incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated March 3, 2000, filed with the Commission on February 28, 2000.

(11) Computation of Earnings Per Share.

(21) Subsidiaries of the Registrant.

(23) Consent of Grant Thornton, LLP.

* 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: February 21, 2001 By:/s/ Leon Kopyt

Leon Kopyt
Chairman, President, Chief Executive Officer
and Director

Date: February 21, 2001 *By:/s/ Stanton Remer*

Stanton Remer
Chief Financial Officer, Treasurer, Secretary
and Director

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

Date: February 21, 2001 */s/ Leon Kopyt*

Leon Kopyt
Chairman, President, Chief Executive Officer
(Principal Executive Officer)and Director

Date: February 21, 2001 */s/ Brian Delle Donne*

Brian Delle Donne
Chief Operating Officer
(Principal Operating Officer)
and Director

Date: February 21, 2001 */s/ Stanton Remer*

Stanton Remer
Chief Financial Officer, Treasurer,
Secretary (Principal Financial and
Accounting Officer) and Director

Date: February 21, 2001 */s/ Norman S. Berson*

Norman S. Berson
Director

Date: February 21, 2001 */s/ Robert B. Kerr*

Robert B. Kerr
Director

Date: February 21, 2001 */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
December 31, 2000 and 1999

ASSETS

	2000	1999
Current assets		
Cash and cash equivalents	$ 3,170,658	$ 4,025,808
Accounts receivable, net of allowance for doubtful accounts of $1,875,000 and $1,014,000 in 2000 and 1999, respectively	64,032,564	66,654,677
Income tax refund receivable	7,417,258	
Prepaid expenses and other current assets	3,161,235	3,257,207
Deferred tax assets	1,449,518	
Total current assets	79,231,233	73,937,692
Property and equipment, at cost		
Equipment and leasehold improvements	10,238,480	9,789,996
Less: accumulated depreciation and amortization	4,079,857	3,151,626
	6,158,623	6,638,370
Other assets		
Deposits	223,512	205,878
Intangible assets, net of accumulated amortization of $7,878,000 and $4,437,000 in 2000 and 1999, respectively	88,655,460	103,168,944
	88,878,972	103,374,822
Total assets	$174,268,828	$183,950,884

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED
December 31, 2000 and 1999

LIABILITIES AND SHAREHOLDERS' EQUITY

	2000	1999
Current liabilities		
Accounts payable and accrued expenses	$13,610,547	$ 4,853,763
Accrued payroll	7,691,258	5,640,054
Payroll and withheld taxes	1,311,828	1,269,265
Income taxes payable	108,996	791,173
	22,722,629	12,554,255
Long-term liabilities		
Note payable	47,300,000	47,300,000
Income taxes payable	2,183,873	
	49,483,873	47,300,000
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; 10,499,651 and 10,496,225 shares issued and outstanding in 2000 and 1999, respectively	524,982	524,811
Accumulated other comprehensive loss	(233,631)	(52,764)
Additional paid-in capital	93,516,080	93,473,301
Retained earnings	8,254,895	30,151,281
	102,062,326	124,096,629
Total liabilities and shareholders' equity	$174,268,828	$183,950,884

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Revenues	$296,001,276	$51,397,429	$313,385,772	$201,452,318
Cost of services	217,515,660	38,178,972	236,746,446	153,028,095
Gross profit	78,485,616	13,218,457	76,639,326	48,424,223
Operating costs and expenses				
Selling, general and administrative	54,845,757	8,703,066	48,088,801	30,460,647
Depreciation	1,153,998	186,588	862,642	423,673
Amortization	5,494,141	468,453	2,185,690	1,030,743
Unusual items				
Impairment of goodwill	35,334,972			
Restructuring charge	1,371,740			
Non recurring	2,100,000			
	100,300,608	9,358,107	51,137,133	31,915,063
Operating income (loss)	(21,814,992)	3,860,350	25,502,193	16,509,160
Other income (expenses)				
Interest (expense), net of interest income	(3,677,577)	(550,734)	(920,208)	235,044
Gain (loss) on foreign currency transactions	(24,728)	2,766		
	(3,702,305)	(547,968)	(920,208)	235,044
Income (loss) before income taxes	(25,517,297)	3,312,382	24,581,985	16,744,204
Income taxes (credit)	(3,620,911)	1,261,389	9,633,737	6,947,499
Net income (loss)	($ 21,896,386)	$2,050,993	$14,948,248	$ 9,796,705
Basic earnings (loss) per share	($2.09)	$.20	$1.43	$1.11
Weighted average number of common shares outstanding	10,499,305	10,496,225	10,484,764	8,787,334
Diluted earnings (loss) per share	($2.09)	$.19	$1.37	$1.07
Weighted average number of common and common equivalent shares outstanding	10,499,305	10,951,447	10,942,146	9,151,903

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Common Stock		Accumulated Other Comprehensive	Additional Paid-in	Retained
	Shares	Amount	Loss	Capital	Earnings
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
Exercise of stock options	48,700	2,435		475,590	
Translation adjustment			(96,230)		
Net income					14,948,248
Balance, October 31, 1999	10,496,225	524,811	(96,230)	93,473,301	28,100,288
Net income					
Translation adjustment			43,466		2,050,993
Balance, December 31, 1999	10,496,225	524,811	(52,764)	93,473,301	30,151,281
Exercise of stock options	3,426	171		42,779	
Translation adjustment			(180,867)		
Net loss					(21,896,386)
Balance, December 31, 2000	10,499,651	$524,982	($233,631)	$93,516,080	$8,254,895

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Net income (loss)	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Foreign currency translation adjustment	(180,867)	43,466	(96,230)	
Comprehensive income (loss)	($22,077,253)	$2,094,459	$14,852,018	$9,796,705

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Cash flows from operating activities:				
Net income (loss)	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Adjustments to reconcile net Income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	6,648,139	655,041	3,048,332	1,454,416
Provision for allowances on accounts Receivable	861,000	12,000	516,000	170,000
Restructuring and unusual charge	38,806,712			
Changes in assets and liabilities:				
Accounts receivable	1,761,114	4,724,919	(31,227,328)	(15,999,964)
Income tax refund receivable	(7,417,258)			
Deferred tax asset	(1,449,518)			
Prepaid expenses and other current assets	(1,148,515)	(77,902)	(1,979,496)	(526,544)
Accounts payable and accrued expenses	8,052,333	(3,551,439)	5,180,268	1,886,688
Accrued payroll	952,494	(3,903,028)	4,037,617	1,003,963
Payroll and withheld taxes	42,563	265,715	(626,395)	964,839
Income taxes payable	1,501,695	(1,524,677)	2,258,862	(931,077)
Total adjustments	48,610,759	(3,399,371)	(18,792,140)	(11,977,679)
Net cash provided by (used in) operating activities	$26,714,373	($1,348,378)	($ 3,843,892)	($2,180,974)

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Cash flows from investing activities:				
Property and equipment acquired	($1,721,434)	($ 333,902)	($3,829,995)	($ 796,905)
Increase in deposits	(17,634)	(4,393)	(55,609)	(51,727)
Cash paid for acquisitions, net of cash acquired	(25,692,538)	(2,371,937)	(54,098,883)	(25,964,323)
Net cash used in investing activities	(27,431,606)	(2,710,232)	(57,984,487)	(26,812,955)
Cash flows from financing activities:				
Net repayments under short term debt arrangements				(2,000,000)
Borrowings long-term debt		6,500,000	40,800,000	
Exercise of warrants				2,273,278
Sale of common stock				49,291,445
Exercise of stock options	42,950		478,025	698,714
Net cash provided by financing activities	42,950	6,500,000	41,278,025	50,263,437
Effect of exchange rate changes on cash and cash equivalents	(180,867)	43,466	(96,230)	
Net increase (decrease) in cash and cash equivalents	(855,150)	2,484,856	(20,646,584)	21,269,508
Cash and cash equivalents at beginning of year	4,025,808	1,540,952	22,187,536	918,028
Cash and cash equivalents at end of year	$3,170,658	$4,025,808	$1,540,952	$22,187,536
Supplemental cash flow information:				
Cash paid for:				
Interest expense	$4,215,266	$ 613,492	$ 786,064	$ 422,579
Income taxes	4,831,496	3,005,006	7,374,875	7,878,576
Acquisitions:				
Fair value of assets acquired	40,506,867	2,371,937	64,365,991	28,794,018
Liabilities assumed	14,814,329		10,267,108	2,829,695
Cash paid, net of cash acquired	$25,692,538	$2,371,937	$54,098,883	$25,964,323

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999, October 31, 1999 and October 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Basis of Presentation

RCM Technologies, Inc. (the "Company"), through its wholly owned subsidiaries, is a premier national provider of end to end technology solutions designed to enhance and maximize the business performance of its customers through the adaptation and deployment of advanced information and engineering technologies to corporate and government sectors. RCM's offices are located in major geographic regions throughout North America.

The consolidated financial statements are comprised of the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Change in Reporting Year

In January 2000, the Company changed its fiscal year end from October 31 to December 31. As a result of this change, the two months ended December 31, 1999 are presented as a transitional period.

Change in Accounting Estimate

Effective January 1, 2000, the Company has changed the amortization period of goodwill associated with acquisitions from 40 years to 20 years. This change had the effect of increasing goodwill amortization and reducing net income by approximately $2,747,000, or $.26 on a diluted earnings per share basis, for the year ended December 31, 2000.

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.

Software

In accordance with Statement of Position ("SOP") 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use," certain costs related to the development or purchase of internal-use software are capitalized and amortized over the estimated useful life of the software. During the years ended December 31, 2000 and October 31, 1999, the Company capitalized approximately $506,000 and $2,045,000, respectively, of software costs in conformity with SOP 98-1.

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.

December 31, 2000 and 1999, October 31, 1999 and October 31, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue is recognized concurrently with the performance of services. Unbilled receivables represent employee hours worked according to contractual billing rates.

Cash Equivalents

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

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, at December 31, 2000 and 1999 was $88,655,000 and $103,169,000, respectively, and is being amortized on a straight-line method over twenty years effective January 1, 2000. The amortization period prior to January 1, 2000 was 40 years. Amortization expense for the years ended December 31, 2000, October 31, 1999 and 1998 was $5,494,000, $2,156,000 and $1,018,000, respectively. Amortization expense for the two months ended December 31, 1999 was $468,000.

It is the Company's policy to periodically review the net realizable value of its intangible assets, including goodwill, through an assessment of the estimated future cash flows related to such assets. Each business unit to which these intangible assets relate is reviewed to determine whether future cash flows over the remaining estimated useful lives of the assets provide for recovery of the assets. In the event that assets are found to be carried at amounts that are in excess of estimated undiscounted future cash flows, then the intangible assets are adjusted for impairment to a level commensurate with an undiscounted cash flow analysis of the underlying assets. During the third quarter of calendar 2000, the Company performed an impairment review of goodwill in accordance with the requirements of SFAS No. 121. This review indicated that there was an impairment of value, which resulted in a $35.3 million charge to expense in order to properly reflect the appropriate carrying value of goodwill. There were no impairment write-downs during the years ended October 31, 1999 and 1998 or during the two months ended December 31, 1999.

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.

Foreign Currency

For foreign subsidiaries using the local currency as their functional currency, assets and liabilities are translated at exchanges rates in effect at the balance sheet date and income and expenses are translated at average exchange rates. The effects of these translation adjustments are reported in other comprehensive income. Exchange gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Per Share Data

Basic net income per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted net income per share is calculated using the weighted-average number of common shares plus dilutive potential common shares outstanding during the period. Potential common shares consist of stock options that are computed using the treasury stock method. Dilutive securities have not been included in the weighted average shares used for the calculation of earnings per share in periods of net loss because the effect of such securities would be anti-dilutive. 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 was determined as follows:

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Basic average shares outstanding	10,499,305	10,496,225	10,484,764	8,787,334
Dilutive effect of stock options		455,222	457,382	364,569
Dilutive shares	10,499,305	10,951,447	10,942,146	9,151,903

Options to purchase 691,974 shares of common stock at prices ranging from $10.63 to $20.13 per share were outstanding during the year ended December 31, 2000, but were not included in the computation of diluted EPS because of net loss incurred in 2000.

Options to purchase 271,650 shares of common stock at prices ranging from $14.13 to $20.13 per share were outstanding during the two months ended December 31, 1999, 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 214,650 shares of common stock at prices ranging from $14.13 to $20.13 per share were outstanding during the year ended October 31, 1999, 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 39,000 shares of common stock at a price of $14.13 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.

Stock-Based Compensation

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123"), which establishes accounting and reporting standards for stock-based employee compensation plans. As permitted by the standard, the Company has elected not to adopt the fair value based method of accounting for stock-based employee compensation and will continue to account for such arrangements under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and apply SFAS 123 on a disclosure basis only. Accordingly, adoption of the standard has not affected the Company's results of operations or financial position (see Note 8).

2. UNUSUAL ITEMS

In the third quarter of 2000, the Company recorded the following unusual items:

In Millions	
Impairment of goodwill	$35.3
Restructuring charge	1.4
Other nonrecurring charges	2.1

	$38.8
	=======

The income before income taxes, net income and earnings per share on a diluted basis, for the year ended December 31, 2000 without the unusual items and its related tax effect would have been $13.3 million, $6.7 million and $.63 per share, respectively.

Impairment of Goodwill

During the third quarter of 2000, the Company performed an impairment review of goodwill in accordance with the requirements of SFAS No. 121. This review indicated that there was an impairment of value, which resulted in $35.3 million charge to expense in order to properly reflect the appropriate carrying value of goodwill.

Restructuring Charge

The restructuring charge of $1.4 million consists of expenses associated with the consolidation of certain offices principally lease obligations for vacated offices as well as a write down of leasehold improvements and office equipment for closed offices to its net realizable values.

Other Non-Recurring Charges

The non-recurring charge of $2.1 million consists of expenses associated with integration of employee benefit plans and vacation plans, which were assumed in connection with the Company's previously, completed acquisitions.

3. SALE OF COMMON STOCK

On June 3, 1998, the Company completed a public offering of 2,700,000 shares of Common Stock, of which the Company sold 2,509,980 shares and certain selling stockholders offered 190,020 shares. 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 were approximately $49.3 million.

4. ACQUISITIONS

During the three year and 2 month period ended December 31, 2000, the Company acquired 24 businesses in the staffing and consulting services industry. These acquisitions 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 respective acquisition dates.

4. ACQUISITIONS (CONTINUED)

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
2001	$7,283,000
2002	9,149,000
2003	4,000,000
	$20,432,000

The Deferred Consideration and Earnouts, when paid, will be recorded as additional purchase consideration and will be amortized over the remaining life of the asset. Earnouts cannot be estimated with any certainty.

The Company's acquisition activities are as follows:

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Number of acquisitions	3		14	7
Consideration paid:				
Cash at closing	$10,375,000		$46,028,000	$22,625,000
Deferred consideration payments	$13,800,000		$34,095,000	$15,100,000

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 December 31, 2000	Year Ended October 31, 1999
Revenues	$300,501,000	$362,777,000
Operating income before unusual items	$18,554,000	$32,893,000
Unusual items	($ 38,807,000)	
Net income (loss)	($ 21,101,000)	$17,456,000
Earnings (loss) per share	($2.01)	$1.60

5. PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	December 31, 2000	December 31, 1999
Equipment and furniture	$3,525,992	$4,026,101
Computer equipment and software	6,626,559	5,622,304
Leasehold improvements	85,929	141,591
	10,238,480	9,789,996
Less: accumulated depreciation and amortization	4,079,857	3,151,626
	$6,158,623	$6,638,370

6. GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles consist of the following:

	December 31, 2000	December 31, 1999
Goodwill	$96,070,746	$107,143,044
Other intangibles	462,900	462,900
	96,533,646	107,605,944
Less: accumulated amortization	7,878,186	4,437,000
	$88,655,460	$103,168,944

7. LONG TERM DEBT

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 (the "Revolving Credit Facility"). The Revolving Credit Facility was amended on September 18, 2000. Borrowings under the Revolving Credit Facility bear interest one of two alternative rates, as selected by the Company. These alternatives are: 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, such as restrictions on the Company's ability to pay dividends. The Revolving Credit Facility expires August 2002. The weighted average interest rate at December 31, 2000 was 8.33%. The amounts outstanding under the Revolving Credit Facility at December 31, 2000 and 1999 were $47.3 million and $47.3 million, respectively.

8. SHAREHOLDERS' EQUITY

Common Shares Reserved

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

	December 31,	
	2000	1999
Exercise of options outstanding	2,039,539	1,359,170
Future grants of options	1,175,906	358,300
Total	3,215,445	1,717,470

Incentive Stock Option Plans

On April 27, 2000, the shareholders approved the adoption of the RCM Technologies, Inc. 2000 Employee Stock Incentive Plan. At December 31, 2000, there were 1,500,000 shares of Common Stock reserved under the plan for issuance not later than January 6, 2010 to officers and key employees of the Company and its subsidiaries.

On April 21, 1999, the shareholders approved the adoption of the Amended and Restated RCM Technologies, Inc. 1996 Executive Stock Plan (the "Restated Plan"). At December 31, 2000, there were 1,194,825 shares of Common Stock reserved under the plan for issuance not later than January 1, 2006 to officers and key employees of the Company and its subsidiaries.

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"). At December 31, 2000, there were 410,620 shares of Common Stock reserved under the 1992 Plan for issuance not 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 Nonemployee Director Option Plan as a means of recruiting and retaining nonemployee directors of the Company. At December 31, 2000, there were 110,000 shares of Common Stock reserved under the plan for issuance not 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.

8. SHAREHOLDERS' EQUITY (CONTINUED)

Incentive Stock Option Plans (Continued)

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 its 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 December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Net (loss) earnings:				
As reported	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Pro forma	($22,600,103)	$2,050,993	$11,869,395	$8,096,746
Diluted (loss) earnings per share:				
As reported	($2.09)	$.19	$1.37	$1.07
Pro forma	($2.15)	$.19	$1.08	$.92

These proforma 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 years 2000, 1999 and 1998, respectively: expected volatility of 70%, 70% and 30%; respectively risk-free interest rates of 5.91%, 5.10% and 5.14%; and expected lives of 5 years. The weighted-average fair value of options granted during fiscal years 2000, 1999 and 1998 was $4.22, $8.51 and $4.38, respectively.

Transactions related to all stock options are as follows:

	Year Ended December 31, 2000	Weighted-Average Exercise Price	Year Ended October 31, 1999	Weighted-Average Exercise Price	Year Ended October 31, 1998	Weighted-Average Exercise Price
Outstanding options at beginning of year	1,359,170	$10.23	1,021,420	$8.86	1,087,400	$7.46
Granted	791,974	7.03	437,500	13.90	239,500	11.23
Forfeited	(108,179)	12.54	(51,050)	11.41	(103,350)	10.13
Exercised	(3,426)	12.54	(48,700)	9.82	(202,130)	3.46
Outstanding options at end of year	2,039,539	$8.85	1,359,170	$10.23	1,021,420	$8.86
Exercisable options at end of year	1,367,795		1,159,170		1,012,420	
Option grant price per share	$3.00 to $20.13		$5.16 to $20.13		$3.44 to $14.50	

8. SHAREHOLDERS' EQUITY (CONTINUED)

Incentive Stock Option Plans (Continued)

The following table summarizes information about stock options outstanding at December 31, 2000:

Range of Exercise Prices	Number of Outstanding Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$ 3.00 - $ 4.50	229,000	9.9 years	$ 3.13
$ 4.75 - $ 7.13	756,475	7.2 years	$ 6.32
$ 7.31 - $10.97	346,340	6.7 years	$10.00
$11.25 - $16.88	704,724	8.4 years	$12.81
$20.13	3,000	7.9 years	$20.13

Employee Stock Purchase Plan

On December 4, 2000 the Board of Directors of the Company approved, subject to further stockholder approval, an Employee Stock Purchase Plan (the "Purchase Plan"). Under the Purchase Plan, employees meeting certain specific employment qualifications are eligible to participate and can purchase shares of Common Stock semi-annually through payroll deductions at the lower of 85% of the fair market value of the stock at the commencement or end of the offering period. The purchase plan permits eligible employees to purchase common stock through payroll deductions for up to 10% of qualified compensation. As of December 31, 2000, 500,000 shares were available for issuance under the purchase plan.

9. RETIREMENT PLANS

Profit Sharing Plan

The Company maintains a 401(k) profit sharing plan for the benefit of eligible employees. The 401(k) plan includes a cash or deferred arrangement pursuant to Section 401(k) of the Internal Revenue 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 years ended December 31, 2000 and October 31, 1999 and 1998 were $694,000, $329,000 and $89,000, respectively. Contributions charged to operations for the two months ended December 31, 1999 were $72,000.

Nonqualified Defined Compensation Plan

On December 4, 2000 the Board of Directors of the Company approved a nonqualified deferred compensation plan for officers and certain other management employees. The plan allows for compensation deferrals for its participants and a discretionary company contribution, subject to approval of the Board of Directors.

10. COMMITMENTS

Termination Benefits Agreement

The Company is party to a Termination Benefits Agreement with Mr. Kopyt, 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), then the following provisions take effect: 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 December 31, 2000, Mr. Kopyt would have been entitled to cash payments of approximately $4.8 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 December 31,	Amount
2001	$2,532,000
2002	1,769,000
2003	1,110,000
2004	863,000
2005	414,000
Thereafter	512,000
Total	$7,200,000

Rent expense for the years ended December 31, 2000, October 31, 1999 and October 31, 1998 was $3,175,000, $2,440,000 and $1,456,000, respectively. Rent expense for the two months ended December 31, 1999 was $488,000.

11. 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.

12. INCOME TAXES

The components of income tax expense (credit) are as follows:

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Current				
Federal	($1,846,000)	$920,089	$7,098,737	$5,204,332
State and local	(325,393)	341,300	2,535,000	1,743,167
	(2,171,393)	1,261,389	9,633,737	6,947,499
Deferred				
Federal	(1,297,000)			
State and local	(152,518)			
	(1,449,518)			
Total	($3,620,911)	$1,261,389	$9,633,737	$6,947,499

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

	2000	1999	1998
Tax at statutory rate (credit)	(34.0)%	34.0%	34.0%
State income taxes, net of Federal income tax benefit		6.7	6.8
Foreign income tax effect	1.9	3.4	
Non-deductible unusual charges	20.3		
Other, net	(2.4)	(4.9)	.7
Total income tax expense	(14.2)%	39.2%	41.5%

At December 31, 2000 and 1999, deferred tax assets consist of the following:

	2000	1999
Unusual charges	$2,199,884	
Allowance for doubtful accounts	712,500	$375,180
	2,192,384	375,180
Less: valuation allowance	(1,462,686)	(375,180)
	$1,449,518	$

13. INTEREST EXPENSE, NET OF INTEREST INCOME

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

Year Ended December 31,	Two Months Ended December 31,	Year Ended October 31,	Year Ended October 31,

	2000	1999	1999	1998
Interest expense	($3,992,911)	($574,320)	($1,197,236)	($422,579)
Interest income	315,334	23,586	277,028	657,623
	($3,677,577)	($550,734)	($ 920,208)	$235,044

14. SEGMENT INFORMATION

The Company adopted SFAS 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131"), which establishes standards for companies to report information about operating segments, geographic areas and major customers. The adoption of SFAS 131 has no effect on the Company's consolidated financial position, consolidated results of operations or liquidity. The accounting policies of each segment are the same as those described in the summary of significant accounting policies (see Note 1).

The Company uses earnings before interest and taxes (operating income) to measure segment profit. Segment operating income includes selling, general and administrative expenses directly attributable to that segment as well as charges for allocating corporate costs to each of the operating segments. The following tables reflect the results of the segments consistent with the Company's management system (in thousands):

Fiscal 2000	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$228,025	$40,993	$26,983		$296,001
Operating expenses	207,894	38,559	25,908		272,361
EBITDA (a)	20,131	2,434	1,075		23,640
Unusual charges	36,913	1,894			38,807
Depreciation	848	277	29		1,154
Amortization	4,821	630	43		5,494
Operating income (loss)	($ 22,451)	($ 367)	$1,003		($ 21,815)
Total assets	$131,414	$17,591	$6,433	$18,831	$174,269
Capital expenditures	$827	$205	$56	$633	$1,721

Two Months Ended December 1999	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$39,231	$8,286	$3,880		$51,397
Operating expenses	35,301	7,843	3,738		46,882
EBITDA (a)	3,930	443	142		4,515
Depreciation	137	48	2		187
Amortization	388	77	3		468
Operating income	$3,405	$ 318	$ 137		$3,860
Total assets	$148,811	$17,349	$6,338	$11,453	$183,951
Capital expenditures				$334	$334

14. SEGMENT INFORMATION (CONTINUED)

Fiscal 1999	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$223,654	$62,887	$26,845		$313,386
Operating expenses	199,664	59,190	25,982		284,836
EBITDA (a)	23,990	3,697	863		28,550
Depreciation	576	269	18		863
Amortization	1,873	295	17		2,185
Operating income	$21,541	$3,133	$ 828		$25,502
Total assets	$156,468	$17,893	$4,767	$4,920	$184,048
Capital expenditures	$978	$77	$1	$2,774	$3,830

Fiscal 1998	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$125,683	$46,466	$29,303		$201,452
Operating expenses	111,905	43,695	27,888		183,488
EBITDA (a)	13,778	2,771	1,415		17,964
Depreciation	355	65	4		424
Amortization	938	90	3		1,031
Operating income	$12,485	$2,616	$1,408		$16,509
Total assets	75,071	12,506	6,302	23,188	117,067
Capital expenditures	$753	$32	$12		$797

(a) EBITDA consists of earnings before interest income, interest expense, other non-operating income and expense, income taxes, depreciation and amortization and unusual charges. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as an alternative to net income as an indicator of a company's performance or to cash flows from operating activities as a measure of liquidity.

14. SEGMENT INFORMATION (CONTINUED)

The following reconciles consolidated operating income to the Company's pretax profit (in thousands):

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Consolidated operating income (loss)	($21,815)	$3,860	$25,502	$16,509
Interest (expense), net of interest income	(3,702)	(548)	(920)	235
Consolidated pretax profit (loss)	($25,517)	$3,312	$24,582	$16,744

The Company derives a substantial majority of its revenue from companies headquartered in the United States. In fiscal 1998, 1999 and 2000, no single customer exceeded 10% of the Company's revenue. Revenues from Canadian operations for the year ended December 31, 2000 and October 31, 1999 were $16.4 million and $14.8 million, respectively. Revenues from Canadian operations for the two months ended December 31, 1999 were $3.4 million. There were no Canadian revenues in 1998.

15. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Year Ended December 31, 2000

	Sales	Gross Profit	Net Income (Loss)	Diluted Net Income Per Share (a)
1st Quarter	$74,945,490	$19,039,291	$1,057,890	$ .10
2nd Quarter	75,989,896	19,603,598	1,340,515	.13
3rd Quarter	73,656,343	20,223,806	(26,417,054)	(2.52)
4th Quarter	71,409,547	19,618,921	2,122,263	.20
Total	$296,001,276	$78,485,616	($21,896,386)	($2.09)

Year Ended October 31, 1999

	Sales	Gross Profit	Net Income	Diluted Net Income Per Share (a)
1st Quarter	$67,391,593	$16,187,947	$3,279,725	$ .30
2nd Quarter	80,539,313	19,048,183	3,773,290	.35
3rd Quarter	81,837,199	19,665,511	3,884,741	.36
4th Quarter	83,617,666	21,737,685	4,010,492	.37
Total	$313,385,772	$76,639,326	$14,948,248	$1.37

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

16. NEW ACCOUNTING STANDARDS

In April 1998, Statement of Position ("SOP") 98-5, reporting on the "Costs of Start-up Activities", was issued. This SOP provides guidance on the financial reporting of start-up and organization costs and requires that these costs be expensed as incurred. The provisions of SOP 98-5 are effective for financial statements for fiscal years beginning after December 15, 1998. The Company adopted the provisions of this SOP on November 1, 1999. The adoption of SOP 98-5 did not have a material impact on the Company's financial statements.

17. CONTINGENCIES

The Company has received claims and notices of possible claims from various persons from whom the Company acquired stock or assets in four separate acquisitions that occurred during 1998. Such claims and possible claims are not related. These claims and possible claims relate to allegations of wrongful termination and failure of the Company to pay deferred consideration under the relevant acquisition agreements. In the opinion of management, the Company has meritorious defenses to such claims and does not believe that the resolution of such claims should have a material adverse effect on the Company, its financial position, its results of operations or its cash flows.

In addition, on November 6, 1998, two former officers filed suit against the Company alleging wrongful termination of their employment, failure to make severance payments and wrongful conduct by the Company in connection with the grant and ultimate divestiture of Stock Options to the plaintiffs. The complaint also alleges the Company wrongfully limited the number of shares of Company stock that could be sold by the plaintiffs and makes various other claims including a claim for punitive damages. In the suit, the plaintiffs seek damages of approximately $480,000 plus other unspecified amounts. The claims relating to wrongful termination of employment and wrongful conduct by the Company in connection with the grant of Stock Options to the plaintiffs have been submitted to binding arbitration; closing arguments in that proceeding are scheduled for March 30, 2001. In addition, the Company is currently awaiting the court's decision on the Company's summary judgment motion addressing the plaintiffs claims with respect to its allegedly wrongful limiting the number of shares the plaintiffs could sell. The Company will shortly be seeking a summary judgment from the court with respect to the plaintiffs claims concerning allegedly wrongful conduct by the Company in connection with the divestiture of the plaintiffs' stock options. Management believes the suit is without merit and has defended the claims 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 December 31, 2000 and 1999 and the related consolidated statements of operations, changes in shareholders' equity, comprehensive income (loss) and cash flows for year ended December 31, 2000, the two months ended December 31, 1999, and for the years ended October 31, 1999 and 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 auditing standards generally accepted in the United States. 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 audits provide 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 December 31, 2000 and 1999 and the consolidated results of their operations and their cash flows for year ended December 31, 2000, for the two months ended December 31, 1999, and the years ended October 31, 1999 and 1998 in conformity with accounting principles generally accepted in the United States.

We have also audited Schedules I and II of RCM Technologies, Inc. and Subsidiaries as of year ended December 31, 2000, as of and for the two months ended December 31, 1999, and the years ended October 31, 1999 and 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
February 2, 2001

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET
December 31, 2000 and 1999

ASSETS

	2000	1999
Current assets		
Cash	$	$ 8,850
Prepaid expenses and other assets	62,440	5,469
Total current assets	62,440	14,319
Other assets		
Deposits	5,695	5,695
Long-term receivables from affiliates	102,046,691	124,190,682
	102,052,386	124,196,377
Total assets	$102,114,826	$124,210,696

LIABILITIES AND SHAREHOLDERS' EQUITY

	2000	1999
Current liabilities		
Accounts payable and accrued expenses	$ 52,500	$ 114,068
Shareholders' equity		
Common stock	524,982	524,811
Foreign currency translation adjustment	(233,631)	(52,764)
Additional paid in capital	93,516,080	93,473,300
Retained earnings	8,254,895	30,151,281
Total shareholders' equity	102,062,326	124,096,628
Total liabilities and shareholders' equity	$102,114,826	$124,210,696

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

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Operating expenses				
Administrative	$ 534,662	$ 9,044	$ 244,660	$ 210,317
Operating loss	(534,662)	(9,044)	(244,660)	(210,317)
Management fee income	534,662	9,044	244,660	210,317
Income before income in subsidiaries				
Equity in (shares in) earnings (loss) in subsidiaries	(21,896,386)	2,050,993	14,948,248	9,796,705
Net income (loss)	($21,896,386)	$2,050,993	$14,948,248	$9,796,705

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

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Cash flows from operating activities:				
Net income (loss)	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Adjustments to reconcile net income to net cash provided by operating activities:				
Share in deficiency in assets of subsidiaries	21,896,386	(2,050,993)	(14,948,248)	(9,796,705)
Changes in operating assets and liabilities:				
Prepaid expenses and other assets	(56,971)	3,710	686	(8,264)
Accounts payable and accrued expenses	(61,568)	50,072	46,234	(26,008)
	21,777,847	(1,997,211)	(14,901,328)	(9,830,977)
Net cash provided by (used in) operating activities	(118,539)	53,782	46,920	(34,272)
Cash flows from investing activities:				
Decrease (increase) in long-term receivables from subsidiaries	247,605	(89,079)	(430,103)	(52,256,899)
Net cash provided by (used in) investing activities	247,605	(89,079)	(430,103)	(52,256,899)
Cash flows from financing activities:				
Sale of common stock				49,291,445
Exercise of warrants				2,273,278
Exercise of stock options	42,951		478,025	698,714
Net cash provided by financing activities	42,951		478,025	52,263,437
Effect of exchange rate changes on cash and cash equivalents	(180,867)	43,466	(96,230)	
Net increase (decrease) in cash and equivalents	(8,850)	8,169	(1,388)	(27,734)
Cash and equivalents at beginning of year	8,850	681	2,069	29,803
Cash and equivalents at end of year	$	$ 8,850	$ 681	$ 2,069

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

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

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 December 31, 2000					
Allowance for doubtful accounts on trade receivables	$1,014,000	$1,101,000		$240,000	$1,875,000
Two Months Ended December 31, 1999					
Allowance for doubtful accounts on trade receivables	$1,002,000	$53,000		$41,000	$1,014,000
Year Ended October 31, 1999					
Allowance for doubtful accounts on trade receivables	$486,000	$986,000		$470,000	$1,002,000
Year Ended October 31, 1998					
Allowance for doubtful accounts on trade receivables	$316,000	$170,000			$486,000

EXHIBIT INDEX

(11) Computation of Earnings Per Share.

(21) Subsidiaries.

(23) Consent of Grant Thornton, LLP.

EXHIBIT 11

COMPUTATION OF EARNINGS (LOSS) PER COMMON SHARE

Year Ended December 31, 2000, Two Months Ended December 31, 1999 and Years Ended October 31, 1999 and 1998

	Year Ended December 31, 2000	Two Months Ended December 31, 1999	Year Ended October 31, 1999	Year Ended October 31, 1998
Diluted earnings				
Net income (loss) applicable to common stock	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Shares				
Weighted average number of common shares outstanding	10,499,305	10,496,225	10,484,764	8,787,334
Common stock equivalents		455,222	457,382	364,569
Total	10,499,305	10,951,447	10,942,146	9,151,903
Diluted earnings (loss) per common share	($2.09)	$.19	$1.37	$1.07
Basic				
Net income (loss) applicable to common stock	($21,896,386)	$2,050,993	$14,948,248	$9,796,705
Shares				
Weighted average number of common shares outstanding	10,499,305	10,496,225	10,484,764	8,787,334
Basic earnings (loss) per common share	($2.09)	$.20	$1.43	$1.11

EXHIBIT 21

SUBSIDIARIES

Application Solutions Corp.
Business Support Group of Michigan, Inc. Can-Nuke Technologies Limited*
Cataract, Inc.
Constellation Integration Services Company * Discovery Consulting Solutions, Inc.
Global Technology Solutions, Inc.
Management Systems Integrators, Inc.
Mu-Sigma Engineering Consultants Company * Northern Technical Services, Inc.
Pinnacle Consulting Services, Inc.
Procon, Inc.
Programming Alternatives of Minnesota, Inc. RCM Technologies (USA), Inc.
RCMT Delaware, Inc.
RCMT Nova Scotia Company *
RCMT Canada Company *
Software Analysis & Management, Inc.
Solutions Through Data Processing, Inc.

* Effective January 1, 2001, the subsidiaries indicated by an * were merged into RCM Technologies Canada Corp.

EXHIBIT 23

Consent of Independent Certified Public Accountants

Board of Directors
RCM Technologies, Inc.

We have issued our report dated December 15, 2000 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 December 31, 2000. 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. 33-12405, effective March 24, 1987, File No. 33-12406, effective March 24, 1987, File No. 33-61306, effective April 21, 1993, File No. 33-80590, effective June 22, 1994, File No. 333-52206, effective December 19, 2001 and File No. 333-52480, effective December 21, 2000.)

/s/ Grant Thornton LLP
Grant Thornton LLP
Philadelphia, Pennsylvania
February 2, 2001