SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002
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 26, 2003 was approximately $32,200,000 based upon the closing price of the Common Stock on such date on The Nasdaq National Market of $3.05. 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 $0.05 per share) outstanding as of February 26, 2003: 10,626,076.

Documents Incorporated by Reference

Portions of the Proxy Statement for the Registrant's 2003 Annual Meeting of Stockholders (the "2003 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 2003 Proxy Statement is not filed by April 30, 2003, an amendment to this Annual Report on Form 10-K setting forth this information will be duly filed with the Securities and Exchange Commission.

RCM Technologies, Inc.

FORM 10-K

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PART I

Private Securities Litigation Reform Act Safe Harbor Statement

Certain statements included herein and in other reports and public filings made by RCM Technologies, Inc. ("RCM" or the "Company") are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements regarding the adoption by businesses of new technology solutions and the use by businesses of outsourced solutions, such as those offered by the Company, in connection with such adoption. Readers are cautioned that such forward-looking statements, as well as others made by the Company, 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; (xvii) the costs of conducting and the outcome of litigation involving the Company, and (xviii) other economic, competitive and governmental factors affecting the Company's operations, markets, 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 business and technology solutions designed to enhance and maximize the performance of its customers through the adaptation and deployment of advanced information technology and engineering services. RCM is an innovative leader in the design, development and delivery of these services to a variety of industries. RCM's offices are located throughout North America, including major metropolitan centers. The Company provides a diversified and extensive range of service offerings and deliverables. Its portfolio of Information Technology services includes e-Business, Enterprise Management, Enterprise Application Integration and Supply Chain. RCM's portfolio of Engineering services focuses on Engineering Design, Technical Support and Project Management and Implementation. The Company's Commercial Services business unit provides Healthcare contract professionals as well as Clerical and Light Industrial temporary personnel. The Company provides its services to clients in banking and finance, healthcare, insurance, aerospace, pharmaceutical, telecommunications, utility, technology, manufacturing, distribution and government sectors. The Company believes that the breadth of services it offers fosters long-term client relationships, affords cross-selling opportunities and minimizes the Company's dependence on any single technology or industry sector.

During the year ended December 31, 2002, approximately 60% of RCM's total revenues were derived from IT services, 30% from Engineering services and the remaining 10% from Commercial Services. The Company has executed a regional strategy to better leverage its consulting services offering. RCM sells and delivers its services through a network of 37 branch offices located in selected regions throughout North America.

Demand for IT consulting services has continued the decline that commenced in early 2000 after several years of rapid growth. The decline in sales along with a decline in operating income of certain branch offices has resulted in goodwill impairment charges for each of the three years in the period ended December 31, 2002.

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 align information technologies with new business objectives has become critical.

Although many companies have recognized the importance of optimizing IT systems and products to support business processes in competing in today's challenging climate, the process of designing, developing and implementing IT solutions has become increasingly complex. With the prevailing economic conditions, many customers have nonetheless elected to defer, redefine or actually cancel investments in new systems or software. Many companies are focusing now on making the most effective use of existing investments they have already made in software and technology solutions. Many of the Company's clients are facing challenging economic times. This is creating uncertainty in their ability to pursue technology projects, which had previously been considered a competitive imperative. Many clients are laying off their own permanent staff and reducing the demand for consulting services in attempts to maintain profitability. This has a direct impact on RCM's revenues.

The current economic environment has further challenged many companies to evaluate investment or funding choices and business critical applications. IT managers must integrate and manage computing environments consisting of multiple computing platforms, operating systems, databases and networking protocols and off-the-shelf software applications to support business objectives. Companies also need to 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 many 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 support IT solutions. IT managers are charged with 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 their 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 clients' 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. The Company is building a 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 a 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. The Company will seek to accomplish these measures 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 2002. National and regional sales management programs were designed and implemented to segregate clients into priority accounts. This process has provided a higher degree of account coordination so clients can benefit from the wider array of services that are offered throughout the Company's service area, thus resulting in greater client penetration.

During 2002, 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 clients within the same industry sectors tend to 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 Company believes that the overall result is greater account penetration and enhanced client relationships.

Growth Strategy (Continued)

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.

Continue Selective Strategic Acquisitions. The industry for the Company's services continues to be highly fragmented, and the Company plans to continue to selectively assess opportunities to make strategic acquisitions as such opportunities are presented to the Company. The Company's past acquisition strategy was designed to broaden the scope of services and technical competencies and grow its Full-Cycle Solution capabilities, and the Company would continue to consider such goals in any future acquisitions. In considering acquisitions, the Company focuses principally 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 has generally structured 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 local market knowledge of each branch's reputation, customer relationships and expertise. The Company believes an entrepreneurial business atmosphere allows its branch offices to quickly and creatively respond to local market demands and enhances the Company's ability to motivate, attract and retain managers and to maximize growth and profitability.

Develop and Maintain Strong Customer Relationships. The Company seeks to develop and maintain strong interactive customer relationships by anticipating and focusing on its customers' needs. The Company emphasizes a relationship-oriented approach to business, rather than the transaction or assignment-oriented approach that the Company believes is used by many of its competitors. The industry-centric strategy 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.

Operating Strategy (Continued)

Centralize Administrative Functions. The Company seeks to maximize its operational efficiencies by integrating general and administrative functions at the corporate or regional level, and reducing or eliminating redundant functions formerly performed at smaller branch offices. This enables the Company to quickly realize savings and synergies and to efficiently control and monitor its operations. It also allows local branches to focus more on growing their sales.

To accomplish this, the Company is centralized on an SAP operating system into which it integrated all of its operating units. 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. During 2002, the Company completed the implementation of a unified "front end" system which manages work orders and client contacts in a web based system. This application puts all RCM locations on a common database. The results thus far have been improved efficiencies and greater cooperation in support of key vertical industry sector requirements.

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.

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, and customer relationship management and supply chain management solutions. In its Enterprise Applications area, 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, 2002, there were approximately 850 information technology employees and consultants assigned by the Company.

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, 2002, there were approximately 530 engineering and technical employees and consultants assigned by the Company.

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 and lower schools, sports medicine facilities and private practices. Services include in-patient, outpatient, sub-acute and acute care, multilingual speech pathology, rehabilitation, and 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.

As of December 31, 2002, the Company employed approximately 750 commercial services personnel.

ITEM 1. BUSINESS (CONTINUED)

Branch Offices

The Company's organization consists of five operating regions with 37 branch offices located in 12 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)
EAST		
Connecticut	2	PE
Maryland	1	IT
New Hampshire	1	IT
New Jersey	2	IT, PE
New York	3	IT, PE, CS
Pennsylvania	2	IT, PE
Vermont	1	PE
	12	
GREAT LAKES		
Michigan	5	IT, PE
Minnesota	1	IT
Wisconsin	3	IT, PE
	9	
CENTRAL		
Texas	2	IT
	2	
WEST		
Northern California	1	IT
Southern California	6	IT, CS
	7	
CANADA	7	IT, PE

(1) Services provided are abbreviated as follows: IT - Information Technology PE - Professional Engineering CS - Commercial Services

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.

Branch Offices (Continued)

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 its 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.

Our principal sales offices have one General Manager, one sales manager, three to six sales people, several technical delivery or 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 concentrates on providing carefully screened professionals with the appropriate skills in a timely manner and at competitive prices. The Company regularly 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, QAD, Mercury, IBM, H-P/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 branch offices.

Some of the Company's larger representative customers include 3M, ADP, Bruce Power, FlightSafety International, Lockheed Martin, MSC Industrial Supply, Ontario Power, Policy Studies, Inc., Schering Plough, United Technologies, 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 or, when appropriate, at the corporate level for national accounts.

During 2002, one customer accounted for 12% of the Company's revenues. The Company's five and ten largest customers accounted for approximately 32% and 43%, respectively, of the Company's revenues for 2002.

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, trade shows, job fairs, schools, newspaper and trade journal advertising, Internet recruiting services and the Company's website.

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, the Company has implemented a unified front end system which manages the consultant information in a skills based database, work order flows, customer contacts and sales reporting on a national basis. The web based system, provided by Main Sequence, Inc., was heavily customized and is hosted and maintained out of the Company's headquarters. Each of the service groups maintains databases to permit efficient tracking of available personnel on a local basis. This system facilitates efficient matching of customers' requirements with available technical personnel and provides contact management functionality for the sales force.

Competition

The market for IT and engineering services includes a large number of competitors, is subject to rapid change and is highly competitive. As the market demand has shifted many software companies have adopted tactics to pursue services and consulting offerings making them direct competitors when in the past they may have been alliance partners. 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.

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, 2002, the Company employed an administrative staff of approximately 240 people, including certified IT 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, 2002, there were approximately 850 information technology and 530 engineering and technical employees and consultants assigned by the Company to work on client projects for various periods. As of December 31, 2002, there were approximately 750 commercial services employees. None of the Company's 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 37 offices in 12 states and Canada. The Company's administrative and sales offices typically consist of 1,000 to 3,000 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 office is 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 $12.50 per square foot per annum for a term that ended on January 31, 2003. Effective February 1, 2003, the lease was extended for three years at a rate of $13.25 per square foot per year.

The Company's operational office is located at 20 Waterview Boulevard, 4th Floor, Parsippany, NJ 07054. These premises consist of approximately 28,000 square feet and are leased at a rate of $25.00 per square foot per year for a term ending on June 30, 2012.

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to two lawsuits and three claims from various persons from whom the Company acquired stock or assets in five separate acquisitions that occurred in the years 1998 through 2000. The lawsuits and claims are not related to one another. The lawsuits and claims arise from allegations of wrongful termination and/or failure of the Company to pay deferred consideration under the relevant acquisition agreements. The range of possible loss for the aforementioned lawsuits and claims, when considered collectively, is from $-0- to approximately $7.6 million. In the opinion of management and based upon the advice of counsel, the Company has meritorious defenses to the lawsuits and claims that should serve to defeat or diminish the Company's potential liability. However, if material adverse determinations on either the lawsuits or claims were to be rendered, such determinations will have a material adverse impact on the results of operations in the period of the respective charges as well as a material adverse impact on the financial position and liquidity of the Company.

In addition, in 1998, two shareholders, who were formerly officers and directors of the Company, filed suit against the Company alleging wrongful termination of their employment, failure to make required severance payments, wrongful conduct by the Company in connection with the grant of stock options, and wrongful conduct by the Company resulting in the non-vestiture of their option grants. The suit was originally filed in New Jersey Superior Court, Bergen County on November 6, 1998. The complaint also alleged that the Company wrongfully limited the number of shares of the Company's common stock that could have been sold by the plaintiffs under a Registration Rights Agreement entered into in connection with the underlying acquisition transaction pursuant to which the plaintiffs became shareholders of the Company. The complaint sought damages of approximately $480,000 on the severance pay claim. The damages alleged on their other claims were unliquidated; claims for punitive damages were also asserted in several counts of the complaint. The most significant compensatory damages claim, under the Registration Rights Agreement, sought the difference between the amount for which plaintiffs could have sold their RCM shares during the 12-month period ended March 11, 1999, but for the alleged wrongful limitation on their sales, and the amount for which the plaintiffs sold their shares during that period and thereafter.

ITEM 3. LEGAL PROCEEDINGS (CONTINUED)

The claim relating to the wrongful termination of the employment of one of the plaintiffs and the claims of both plaintiffs concerning the grant of stock options were resolved in binding arbitration in early 2002. A trial on the remaining claims commenced on December 2, 2002 and a verdict was returned on January 24, 2003. The claims adjudicated at the trial were: (i) the claims by both plaintiffs concerning the alleged wrongful limiting of the number of shares that plaintiffs could sell during the 12-month period ended March 11, 1999, on which a verdict awarding damages against the Company of $7.6 million was returned; (ii) the claim for the alleged wrongful termination of one of the plaintiffs, which was dismissed by the trial judge; (iii) that same plaintiff's claim of entitlement to severance pay of $230,000 under his employment agreement, which was rejected by the jury in a verdict that the plaintiff will likely seek to set aside; and
(iv) the claims by both plaintiffs for the alleged wrongful prevention of stock option vestiture, which were rejected by the jury. The Company's motion to strike all claims for punitive damages was granted. Management believes, based upon the advice of counsel, that there is a substantial likelihood that the jury's verdict on damages will either be vacated entirely or reduced significantly by the court on post-trial motions, which the Court will likely rule upon in March, 2003. The Company further intends to appeal any judgment that eventually may be entered in favor of the plaintiffs.

As a result of the verdict, the Company accrued $8.6 million at December 31, 2002, which includes a $1.0 million estimate for attorney fees and pre-judgment interest.

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, 2002.

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, 2002 as reported by The Nasdaq National Market:

	Common Stock	
Fiscal 2001	High	Low
First Quarter	$8.00	$2.88
Second Quarter	5.70	2.85
Third Quarter	6.48	3.10
Fourth Quarter	$4.75	$3.41
Fiscal 2002		
First Quarter	$5.34	$4.41
Second Quarter	5.25	4.10
Third Quarter	5.14	3.73
Fourth Quarter	$4.94	$3.70

Holders

As of February 25, 2003, the approximate number of holders of record of the Company's Common Stock was 600. 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 2,923.

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.

	Years Ended			Two Months Ended	Years Ended	
	December 31,			December 31,	October 31,	
	2002	2001	2000	1999	1999	1998
Income Statement						
Revenues	$186,650,616	$234,739,066	$305,444,247	$51,119,860	$311,412,892	$200,188,156
Gross profit	46,664,861	62,575,740	78,045,164	13,163,458	76,274,494	48,192,123
Income before goodwill impairment and unusual items	16,538,897	16,257,507	16,858,362	2,039,434	14,827,944	9,726,809
Goodwill impairment	(29,990,099)	(34,993,435)	(35,334,972)			
Unusual items	(9,717,663)		(3,471,740)			
(Loss) income from continuing operations	(23,168,865)	18,735,928)	21,948,350)	2,039,434	14,827,944	9,726,809
(Loss) gain from discontinued operations	(967,065)	(20,041)	51,964	11,559	120,304	69,896
Net (loss) income	($24,135,930)	($ 18,755,969)	($ 21,896,386)	$2,050,993	$14,948,248	$ 9,796,705
Earnings Per Share (1)						
(Loss) income from continuing Operations	($2.19)	($1.78)	($2.09)	$.19	$1.36	$1.06
(Loss) gain from discontinued Operations	(.09)				.01	.01
Net (loss) income	($2.28)	($1.78)	($2.09)	$.19	$1.37	$1.07
Net (loss) income (basic)	($2.28)	($1.78)	($2.09)	$.20	$1.43	$1.11

	December 31,				October 31,	
	2002	2001	2000	1999	1999	1998
Balance Sheet						
Working capital	$16,516,062	$10,977,131	$56,508,604	$61,383,437	$54,866,477	$53,672,589
Total assets	89,977,188	131,155,945	174,268,828	183,950,884	184,047,546	117,067,151
Long term liabilities			49,483,873	47,300,000	40,800,000	
Total liabilities	30,731,034	47,866,145	72,206,502	59,854,255	62,045,376	10,395,024
Shareholders' equity	$59,246,154	$83,289,800	$102,062,326	$124,096,629	$122,002,170	$106,672,127

(1) Shares used in computing earnings per share:

Basic	10,585,503	10,519,701	10,499,305	10,496,225	10,484,764	8,787,334
Diluted	10,585,503	10,519,701	10,499,305	10,951,447	10,942,146	9,151,903

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

Overview

RCM Technologies is a premier provider of business and technology solutions designed to enhance and maximize the performance of its customers through the adaptation and deployment of advanced information technology and engineering services. RCM is an innovative leader in the design, development and delivery of these services to variety of industries. RCM's offices are located throughout North America, including major metropolitan centers. The Company provides a diversified and extensive range of service offerings and deliverables. Its portfolio of Information Technology services includes e-Business, Enterprise Management, Enterprise Application Integration and Supply Chain. RCM's portfolio of Engineering services focuses on Engineering Design, Technical Support and Project Management and Implementation. The Company's Commercial Services business unit provides Healthcare contract professionals as well as Clerical and Light Industrial temporary personnel. The Company provides its services to clients in banking and finance, healthcare, insurance, aerospace, pharmaceutical, telecommunications, utility, technology, manufacturing, distribution and government sectors. The Company believes that the breadth of services it offers 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 regional strategy to better leverage its consulting services offering. The Company centrally manages its Solutions practices to maximize the potential for sales and marketing of those services.

Many of the Company's clients are facing challenging economic times. This is creating uncertainty in their ability to pursue technology projects, which had previously been considered a competitive imperative. Many clients have laid off portions of their own permanent staff and greatly reduced the demand for consulting services in attempts to maintain profitability. This has had a direct impact on RCM's revenues.

Management believes that most companies have recognized the importance of the Internet and information management technologies to competing in today's business climate. However, the uncertain economic environment has curtailed many companies' motivation for rapid adoption of many technological enhancements. The process of designing, developing and implementing software solutions has become increasingly complex. Management believes that many companies today are focused on return on investment analysis in prioritizing the initiatives they undertake. This has had the effect of delaying or totally negating spending on many emerging new solutions, which management formerly anticipated.

Nonetheless, 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 existing business objectives. Companies also need to continually keep pace with new developments, which often render existing equipment and internal skills obsolete. Consequently, business drivers cause IT managers to support increasingly complex systems and applications of significant strategic value, while working under budgetary, personnel and expertise constraints. This has given rise to increasing demand for outsourcing. The Company believes that its clients, as well as entities that may be potential clients, are increasingly evaluating the potential for outsourcing business critical applications and entire business functions.

The Company presently realizes revenues from client engagements that range from the placement of contract and temporary technical consultants to project assignments that entail the delivery of end-to-end solutions. 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, experience and the type of work performed. The Company also provides project management and consulting work which are billed either by an agreed upon fixed fee or hourly rates, or a combination of both. The billing rates and profit margins for project management and solutions work are higher than those for professional consulting services. The Company generally endeavors to expand its sales of higher margin solution and project management services.

Overview (Continued)

The majority of the Company's services are provided under purchase orders. Contracts are utilized on more of the 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 insurance. 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 corporate marketing, administrative and reporting responsibilities and acquisition program. The Company records these expenses when incurred. Depreciation relates primarily to the fixed assets of the Company. Amortization in 2002 relates to a covenant not to compete resulting from one of the Company's acquisitions. These acquisitions have been accounted for under the purchase method of accounting for financial reporting purposes and have created goodwill. See Footnote 4 to financial statements.

Revenue Recognition

The Company derives its revenues from several sources. All of the Company's segments perform staffing services. The Company's Professional Engineering Services and Information Technology Services segments also perform project services. The Information Technology Services segment also derives revenue from permanent placement fees.

Staffing Services - Revenues derived from staffing services are recorded on a gross basis as services are performed and associated costs have been incurred using employees of the Company. In these circumstances, the Company assumes the risk of acceptability of its employees to its customers.

Project Services - Project services are generally provided on a cost-plus-fixed-fee or time-and-material basis. Typically, a customer will outsource a discrete project or activity and the Company assumes responsibility for performance of the function or project. The Company recognizes revenues and associated costs on a gross basis as services are performed and costs are incurred using its employees. In instances where project services are provided on a fixed-price basis, and the contract will extend beyond a 12-month period, revenue is recorded in accordance with the terms of each contract. In some instances, revenue is billed and recorded at the time certain milestones are reached, as defined in the contract. In other instances, revenue is billed and recorded based upon contractual rates per hour. In addition some contracts contain "Performance Fees" (bonuses) for completing a contract under budget. Performance Fees, if any, are recorded when the contract is completed and the revenue is reasonably certain of collection. Some contracts also limit revenues and billings to maximum amounts. Expenses related to contracts that extend beyond a 12-month period are charged to Cost of Services as incurred.

Permanent Placement Fees - The Company earns permanent placement fees. Fees for placements are recognized at the time the candidate commences employment. Based upon the Company's historical experience, the Company's refunds to customers have been immaterial. However, an allowance for such refunds is recorded in the financial statements. Revenues are recorded on a gross basis as a component of revenue.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. The Company believes that its critical accounting policies include those described below.

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit worthiness, as determined by a review of their current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based on historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within the Company's expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past.

Goodwill and Intangibles

Pursuant to the adoption of SFAS 142, the Company changed its accounting policy related to goodwill and intangible assets, effective January 1, 2002. Goodwill and indefinite-lived intangible assets are no longer amortized but are subject to periodic impairment assessment. The transitional impairment testing for such assets was completed during the second quarter of 2002 and as of January 1, 2002, the transition date, there was no impairment to such assets.

For purposes of the annual impairment testing, the Company determined the fair value of its reporting units using relative market multiples for comparable businesses, as of November 30, 2002. The Company compared the fair value of each of its reporting units to their respective carrying values, including related goodwill, which resulted in an impairment loss of approximately $30 million. Future changes in the industry could impact the market multiples of comparable businesses, and consequently could impact the results of future annual impairment tests.

In addition, the Company recognizes contingent consideration from past acquisitions, which are based on earn-out agreements, as additional goodwill when earned. The Company cannot be assured that earn-out provisions will be met. Based on the results of future impairment testing, the Company could be required to incur further impairment losses.

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, 2002		Year Ended December 31, 2001		Year Ended December 31, 2000	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
Revenues	$186,651	100.0%	$234,739	100.0%	$305,444	100.0%
Cost of services	139,986	75.0	172,163	73.3	227,399	74.4
Gross profit	46,665	25.0	62,576	26.7	78,045	25.6
Selling, general and administrative	33,320	17.9	42,840	18.3	54,494	17.8
Depreciation	1,258	.7	1,125	.5	1,152	.5
	34,578	18.6	43,965	18.8	55,646	18.3
Income before litigation charge, other expense, income taxes, goodwill amortization, and unusual charges	12,087	6.5	18,611	7.9	22,399	7.3
Litigation charge	(9,718)	(5.2)				
Other expense	(155)	(.1)	(2,268)	(.9)	(3,702)	(1.2)
Income before income taxes and goodwill amortization	2,214	1.2	16,343	7.0	18,697	6.1
Income taxes	623	.3	6,936	3.0	7,638	2.5
Income before goodwill amortization and impairment	1,591	.9	9,407	4.0	11,059	3.6
Goodwill and intangible asset amortization, net of income tax benefit	(12)		(5,385)	(2.3)	(4,390)	(1.4)
Goodwill impairment, restructuring and unusual charges, net of tax benefit	(24,748)	(13.3)	(22,758)	(9.7)	(28,617)	(9.4)
(Loss) gain from discontinued operations, net of taxes	(967)	(.4)	(20)		52	
Net loss	($ 24,136)	(12.9)%	($ 18,756)	(8.0)%	($ 21,896)	(7.2)%
Earnings per share						
Basic and Diluted:						
Income before goodwill amortization and impairment	$.15		$.89		$1.06	
Goodwill amortization			(.51)		(.42)	
Goodwill impairment , restructuring and unusual charges	(2.34)		(2.16)		(2.73)	
Discontinued operations	(.09)					
Net loss	($2.28)		($1.78)		($2.09)	

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, 2002 Compared to Year Ended December 31, 2001

Revenues. Revenues decreased 20.5%, or $48.1 million, for 2002 as compared to 2001. The revenue decline was primarily attributable to softness in the information technology ("IT") sector. Management attributes this softness to overall economic conditions as well as hesitancy by customers to launch new capital spending programs.

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001
(Continued)

Cost of Services. Cost of services decreased 18.7%, or $32.2 million, for 2002 as compared to 2001. This decrease was primarily due to a decrease in salaries and compensation associated with the decreased revenues experienced during 2002. Cost of services as a percentage of revenues increased to 75.0% for fiscal 2002 from 73.3% for 2001. This increase was primarily attributable to an increase in the Company's revenues being derived from Professional Engineering Services, which have historically had lower gross profit margins and a decline in revenues derived from Information Technology services which have historically higher gross margins.

Selling, General and Administrative. Selling, general and administrative ("SGA") expenses decreased 22.2%, or $9.5 million, for 2002 as compared to 2001. This decrease was primarily attributable to a reduction in the related variable costs corresponding to reduction in revenues and cost cutting initiatives. SGA expenses, as a percentage of revenues, was 17.9% for 2002 as compared 18.3% for 2001.

Depreciation. Depreciation increased 11.8%, or $133,000, for fiscal 2002 as compared to fiscal 2001. This increase was primarily due to depreciation and amortization of infrastructure and leasehold improvements incurred since December 31, 2001.

Litigation Charge. In 1998, two shareholders, who were formerly officers and directors of the Company, filed suit against the Company alleging wrongful termination of their employment, failure to make required severance payments, wrongful conduct by the Company in connection with the grant of stock options, and wrongful conduct by the Company resulting in the non-vestiture of their option grants. The complaint also alleged that the Company wrongfully limited the number of shares of the Company's common stock that could have been sold by the plaintiffs under a Registration Rights Agreement entered into in connection with the underlying acquisition transaction pursuant to which the plaintiffs became shareholders of the Company. The complaint sought damages of approximately $480,000 on the severance pay claim. The most significant compensatory damages claim, under the Registration Rights Agreement, sought the difference between the amount for which plaintiffs could have sold their RCM shares during the 12-month period ended March 11, 1999, but for the alleged wrongful limitation on their sales, and the amount for which the plaintiffs sold their shares during that period and thereafter.

The claim relating to the wrongful termination of the employment of one of the plaintiffs and the claims of both plaintiffs concerning the grant of stock options were resolved in binding arbitration in early 2002. A trial on the remaining claims commenced on December 2, 2002 and a verdict was returned on January 24, 2003, consisting of the jury finding in favor of the plaintiffs regarding the alleged wrongful limiting of the number of shares that plaintiffs could sell during the 12-month period ended March 11, 1999; the judge and jury rejected the other claims.

In connection with this litigation, the Company incurred $9.7 million of litigation charges at December 31, 2002, which includes the jury award of $7.6 million, professional fees of $1.1 million and an estimate of $1.0 million for attorney fees and pre-judgment interest.

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

Year Ended December 31, 2002 Compared to Year Ended December 31, 2001 (Continued)

Other Expense. Other expense consists principally of interest expense, net of interest income. For 2001, actual interest expense of $770,000 was offset by $599,000 of interest income, which was principally earned from an income tax refund claim with the Internal Revenue Service. Interest expense, net, decreased $2.1 million, or 93% for fiscal 2002 as compared to fiscal 2001. This decrease was primarily due to the increased cash derived from operating activities, which was used to reduce interest bearing debt as well as the aforementioned interest income earned on the income tax refund and the effect of lower interest rates on borrowed funds.

Income Tax. Income tax expense decreased 91.0%, or $6.3 million, for fiscal 2002 as compared to fiscal 2001. This decrease was attributable to a lower level of income before taxes for fiscal 2002 as compared to fiscal 2001. The effective tax rate was 28.1%, for fiscal 2002 as compared to 42.8% for fiscal 2001. The reduction was attributable to tax deductible amortization of intangibles in 2002.

Amortization of Intangibles. Amortization of intangibles for fiscal 2002 and 2001 was net of income tax benefit of $8,700 and $908,000, respectively. Amortization of intangibles decreased 99.8%, or $5.4 million, for fiscal 2002 as compared to fiscal 2001. On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Intangible Assets. SFAS 142 is effective for all fiscal periods beginning after December 15, 2001. In accordance with SFAS 142, for fiscal 2002, all previously recognized goodwill and intangible assets with indefinite lives were no longer subject to amortization. If SFAS 142 had been in effect on January 1, 2001, net loss per share would have been $1.27 per share for fiscal 2001 as compared to a net loss per share of $2.28 for 2002.

Goodwill Impairment. As a result of the softness experienced in the IT sector and the resultant revenue decline, management had been closely monitoring the operating results of its IT branches throughout the year, instituting significant reductions in selling, general and administrative expenses and increasing efforts to revitalize sales levels. However, during the fourth quarter, given the current economic environment and continued reduction of capital spending on technology, management determined that operating performance of certain of its branches indicated that the possibility of impairment of goodwill arising at acquisition might be impaired. The Company performed its annual impairment test as of November 30, 2002 in accordance with SFAS No. 142. The Company determined the fair value of its reporting units using relative market multiples for comparable businesses. The Company compared the fair value of each of its reporting units to their respective carrying values, including related goodwill. The analysis revealed that goodwill, amounting to approximately $30.0 million ($24.7 million after taxes) had been impaired and, therefore, would not be recoverable through future profitable operations of these branches.

Loss from Discontinued Operations. In August 2002, the Company sold a reporting unit in the commercial services business segment for $100,000, which resulted in a loss of $1.6 million ($967,000 net of income tax benefit of $644,000) for fiscal 2002, or $.09 per share. In accordance with Statement of Financial Accounting Standards (SFAS) 144, the loss is presented as a loss from discontinued operations in the statements of income for fiscal 2002. The tax effected operating results of the reporting unit sold were losses of $29,000 for fiscal 2002 and are excluded from income from continuing operations. The Company has not discontinued its commercial services business segment. The financial statements for the comparative periods have been reclassified for comparative purposes.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

Revenues. Revenues decreased 23.1%, or $70.7 million, for fiscal 2001 as compared to fiscal 2000. The revenue decline was primarily attributable to softness in the information technology ("IT") sector. Management attributes this softness to overall economic conditions as well as hesitancy by customers to launch new capital spending programs.

Cost of Services. Cost of services decreased 24.3%, or $55.2 million, for fiscal 2001 as compared to fiscal 2000. This decrease was primarily due to a decrease in salaries and compensation associated with the decreased revenues experienced during fiscal 2001. Cost of services as a percentage of revenues decreased to 73.3% for fiscal 2001 from 74.4% for fiscal 2000. This decline was primarily attributable to continuing efforts by the Company to seek higher margin business. However, there can be no assurances that this improvement in gross margin percentage will continue.

Selling, General and Administrative. Selling, general and administrative ("SGA") expenses decreased 21.4%, or $11.7 million, for fiscal 2001 as compared to fiscal 2000. This decrease was primarily attributable to a reduction in revenues and a corresponding reduction in the related variable costs and cost cutting initiatives. SGA expenses, as a percentage of revenues, was 18.3% for fiscal 2001 as compared 17.8% for fiscal 2000. The 0.5% increase results from certain SGA costs, which could not be reduced in direct portion to the reduction in revenues.

Depreciation. Depreciation decreased 2.3%, or $27,000, for fiscal 2001 as compared to fiscal 2000. This decrease was primarily due to write down of certain fixed assets to net realizable value in fiscal 2000.

Other (Expense) Income, Net. Other (expense) income consists principally of interest expense, net of interest income. For fiscal 2001, actual interest expense of $2.6 million was offset by $297,000 of interest income, which was earned from the investment in interest bearing deposits. Interest expense, net decreased 38.7% or $1.4 million for fiscal 2001 as compared to fiscal year 2000. This decrease was primarily due to the increased cash derived from operating activities, which was used to reduce interest-bearing debt.

Income Tax. Income tax expense decreased $702,000, for fiscal 2001 as compared to fiscal 2000. This decrease was attributable to a lower level of income before taxes and goodwill amortization for fiscal 2001 compared to fiscal 2000.

Goodwill Amortization. Goodwill amortization for fiscal 2001 and fiscal 2000 was net of income tax benefit of $706,000 and $1.1 million, respectively. Goodwill amortization net of tax benefit increased 22.7% or $995,000 for fiscal 2001 as compared to fiscal 2000. This increase was primarily due to the amortization of intangible assets acquired in connection with acquisitions completed prior to fiscal 2001.

Goodwill Impairment, Restructuring and Unusual Charges. As a result of the softness experienced in the IT sector and the resultant revenue decline, management had been closely monitoring the operating results of its IT branches throughout the year, instituting significant reduction in selling, general and administrative expenses and increasing efforts to revitalize sales levels. However, during the fourth quarter, given the current economic environment and continued reduction of capital spending on technology, management determined that operating performance of certain of its branches indicated that the possibility of impairment of goodwill arising at acquisition might be impaired. Based on current operating results and existing business conditions, management projected cash flows for these branches and compared such projected flows to the carrying value of the respective branch's goodwill. The analysis revealed that goodwill amounting to approximately $35.0 million ($22.8 million after taxes) had been impaired and, therefore, would not be recoverable through future profitable operations of these branches.

Liquidity And Capital Resources

Operating activities provided $30.5 million of cash for fiscal 2002 as compared to operating activities providing $29.9 million of cash for fiscal 2001. The increase in cash provided by operating activities was primarily attributable to the collection of an income tax refund receivable.

Investing activities used $6.0 million for the fiscal 2002 as compared to $15.0 million for the comparable 2001 period. The reduction in the use of cash for investing activities for the fiscal 2002 as compared to the comparable period was primarily attributable to a reduction in property and equipment expenditures and acquisition and deferred consideration payments.

Financing activities (principally debt reduction from the collection of $14.8 of income tax refunds) used $23.9 million in 2002 as compared to financing activities using $15.6 million for the comparable period.

The Company and its subsidiaries entered into an amended and restated loan agreement on May 31, 2002, further amended on February 26, 2003) with Citizens Bank of Pennsylvania, administrative agent for a syndicate of banks, which provides for a $40.0 million (reduced to $25.0 million on February 26, 2003) Revolving Credit Facility (the "Revolving Credit Facility") and a $7.5 million Term Loan Facility ("Term Loan Facility"). The $7.5 million outstanding balance under the Term Loan Facility was repaid on July 2, 2002, thereby canceling the Term Loan Facility. Availability under the Revolving Credit Facility is based on 80% of the aggregate amount of accounts receivable as to which not more than ninety days have elapsed since the date of the original invoice. 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. As cash flow permits and depending on interest rate movements, the Company may, from time to time and subject to a nominal prepayment fee, apply available cash flows to reduce the Revolving Credit Facility. The Company repaid approximately $24.1 million, of which $14.7 million originated from a federal income tax refund.

All borrowings under the Revolving Credit Facility are collateralized by all of the assets of the Company and its subsidiaries and a pledge 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 in August 2004. The weighted average interest rates for fiscal 2002 and 2001 were 4.06% and 6.49%, respectively. The amounts outstanding under the Revolving Credit Facility at December 31, 2002 and December 31, 2001 were $7.4 million and $31.5 million, respectively. At December 31, 2002, the Company had availability (including amounts outstanding) under the Revolving Credit Facility of $21.5 million. (Note 8 and 9)

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 one or more of the Revolving Credit Facility, funds generated through operations, or future financing transactions. The Company is involved in litigation as described in Footnote 16 (Contingencies) to the financial statements. If material adverse determinations on either the lawsuits or claims were to be rendered, such determinations will have a material adverse impact on the results of operations in the period of the respective charges as well as a material adverse impact on the financial position and liquidity of the Company.

The Company anticipates that if it is unsuccessful in having damages vacated or reduced significantly, related to the $7.6 million verdict returned in January 2003, it would need to borrow funds under its Revolving Credit Facility in order to satisfy payment of the damages. The Company believes that its borrowing base is sufficient to manage this additional borrowing.

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.

Liquidity And Capital Resources (Continued)

The Company does not currently have material commitments for capital expenditures and does not currently 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.

At December 31, 2002, the Company has a current deferred tax asset of $6,246,119, primarily representing the tax effect of the net operating loss carry forwards, and the litigation reserve. The Company expects to utilize the deferred tax asset during the year ended December 31, 2003.

At December 31, 2001, the Company had recorded, based on the enacted law at that time, a deferred tax asset of $8,268,813 (current - $5,600,000; long-term - $2,668,813), primarily representing the tax effect of net operating loss carry forwards. As a result of 2002 tax law changes increasing the loss carryback period from 3 to 5 years, substantially all deferred tax assets recorded at December 31, 2001 were realized in the second quarter of 2002. The proceeds were principally used to reduce outstanding debt.

The Company's contractual obligations as of December 31, 2002 are as follows (In Thousands):

		Payments Due by Period			
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Note Payable (1)	$7,420		$7,420		
Operating Leases	10,745	$2,094	2,909	$2,106	$3,636
Total Obligations	$18,165	$2,094	$10,329	$2,106	$3,636

(1) The Revolving Credit Facility agreement expires in August 2004.

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

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, the Company no longer amortizes goodwill and indefinite lived intangible assets, thereby eliminating an annual amortization charge of approximately $4.7 million.

Under the provisions of SFAS No. 142, the Company is required to perform a transitional goodwill impairment test within six months of adopting the new standard and to test for impairment on at least an annual basis thereafter. The transitional impairment testing was completed during the second quarter of 2002, and as of January 1, 2002, the transition date, there was no impairment of goodwill.

Recently Issued Accounting Standards (Continued)

For purposes of the annual impairment testing, the Company determined the fair value of its reporting units using relative market multiples for comparable businesses, as of November 30, 2002. The Company compared the fair value of each of its reporting units to their respective carrying values, including related goodwill, which resulted in an impairment loss of approximately $30 million.

In August 2001, the FASB issued SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 retains the existing requirements to recognize and measure the impairment of long-lived assets to be held and used or to be disposed of by sale. However, SFAS 144 makes changes to the scope and certain measurement requirements of existing accounting guidance. SFAS 144 also changes the requirements relating to reporting the effects of a disposal or discontinuation of a segment of a business. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this Statement had the effect of including a loss of $967,000 in Discontinued Operations on the Consolidated Statement of Income and Comprehensive Income for the nine month and three month periods ended September 30, 2002, respectively relating to the sale of a reporting unit. This amount would have been included in income from continuing operations prior to the adoption of SFAS 144.

In April 2002, Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB No. 13, and Technical Corrections" (SFAS No. 145) was issued. This standard changes the accounting principles governing extraordinary items by, among other things, providing more definitive criteria for extraordinary items by clarifying and, to some extent, modifying the existing definition and criteria, specifying disclosure for extraordinary items and specifying disclosure requirements for other unusual or infrequently occurring events and transactions that are not extraordinary items. SFAS 145 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The provisions of the Statement are not expected to have a material impact on the financial condition or results of operations of the Company.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. As the provisions of SFAS 146 are to be applied prospectively after the adoption date, the Company cannot determine the potential effects that the adoption of SFAS 146 will have on its consolidated financial statements.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". SFAS 148 amends SFAS 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years beginning after December 15, 2002. The expanded annual disclosure requirements and the transition provisions are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Management does not expect the adoption of SFAS 148 to have a material effect on the Company's financial position, results of operations, or cash flows.

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 and debt instruments, which primarily consist of its line of credit. 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, 2002, the Company's investments consisted of cash and money market funds. The Company does not use interest rate derivative instruments to manage its exposure to interest rate changes. Presently the impact of a 10% (approximately 40 basis points) increase in interest rates on its variable debt (using average debt balances during the year ended December 31, 2002 and average interest rates) would have a relatively nominal impact on the Company's results of operations. The Company does not expect any material loss with respect to its investment portfolio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The 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 2003 Proxy Statement beginning immediately following the caption "ELECTION OF DIRECTORS" to, but not including, the caption "EXECUTIVE COMPENSATION" and the additional information in the 2003 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 2003 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 2003 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 2003 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.

The table below presents certain information concerning securities issuable in connection with equity compensation plans that have been approved by the Company's shareholders and that have not been approved by the Company's shareholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)
	(a)	(b)	(c)
Equity compensation plans approved by security holders...............	2,474,214	$7.15	713,031
Equity compensation plans not approved by security holders...............			
...................Total	2,474,214	$7.15	713,031

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information in the 2003 Proxy Statement beginning immediately following the caption "CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS" is incorporated herein by reference.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer) have concluded, based on an evaluation conducted within 90 days prior to the filing date of this Annual Report on Form 10-K, that the Company's disclosure controls and procedures have functioned effectively so as to provide those officers the information necessary to evaluate whether:

(i) this Annual Report on Form 10-K contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report on Form 10-K, and

(ii)the financial statements, and other financial information included in this Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report on Form 10-K.

There have been no significant changes in the Company's internal controls or in other factors since the date of the Chief Executive Officer's and Chief Financial Officer's evaluation that could significantly affect these internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 15. 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.

3. See Item (c) below.

(b) Reports on Form 8-K

1. RCM Technologies, Inc. Current Report on Form 8-K dated January 24, 2003.

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          (c)      Exhibits

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

          (3)(b)   Bylaws,  as amended;  incorporated by reference to Exhibit 3 to
                   the Registrant's  Quarterly Report on Form 10-Q for the quarter
                   ended 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) 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)(b)  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.
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* (10)(c) 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 for the year ended October 31, 1996 (the "1996 10-K").

* (10)(d) 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).

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (CONTINUED)

(c) Exhibits (Continued)

* (10)(e) 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)(f) 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)(g) RCM Technologies, Inc. 2001 Employee Stock Incentive Plan; incorporated by reference to Exhibit A to the Registrant's Proxy Statement dated March 3, 2001, filed with the Commission on February 28, 2001.

(10)(h) Amended and Restated Loan and Security Agreement dated May 31, 2002 between RCM Technologies, Inc. and All of its Subsidiaries with Citizens Bank of Pennsylvania, as Administrative Agent and Arranger.

* (10)(i) Severance Agreement dated June 10, 2002 between RCM Technologies, Inc. and Leon Kopyt.

* (10)(j) Exhibit A To Severance Agreement General Release.

(10)(k) Amendment And Modification to Amended And Restated Loan and Security Agreement dated December 30, 2002, between RCM Technologies, Inc. and all of its Subsidiaries and Citizens Bank of Pennsylvania , as Administrative Agent and Arranger (filed herewith).

(10)(l) Second Amendment And Modification to Amended And Restated Loan and Security Agreement dated February 26, 2003, between RCM Technologies, Inc. and all of its Subsidiaries and Citizens Bank of Pennsylvania , as Administrative Agent and Arranger (filed herewith).

(11) Computation of Earnings Per Share.

(21) Subsidiaries of the Registrant.

(23) Consent of Grant Thornton LLP.

99.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

99.2 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

* Constitutes a management contract or compensatory plan or arrangement.

CERTIFICATION

I, Leon Kopyt, certify that:

1. I have reviewed this annual report on Form 10-K of RCM Technologies, Inc. (the "registrant");

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 26, 2003

/s/ Leon Kopyt

Leon Kopyt
Chief Executive Officer

CERTIFICATION

I, Stanton Remer, certify that:

1. I have reviewed this annual report on Form 10-K of RCM Technologies, Inc. (the "registrant");

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons fulfilling the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 26, 2003

/s/ Stanton Remer

Stanton Remer
Chief Financial Officer

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 26, 2003

By:/s/ Leon Kopyt
Leon Kopyt
Chairman, President, Chief Executive Officer and Director

Date: February 26, 2003

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 26, 2003

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

Date: February 26, 2003

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

Date: February 26, 2003

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

Date: February 26, 2003

/s/ Norman S. Berson
Norman S. Berson
Director

Date: February 26, 2003

/s/ Robert B. Kerr
Robert B. Kerr
Director

Date: February 26, 2003

/s/ David Gilfor
David Gilfor
Director

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2002 and 2001

ASSETS

	2002	2001
Current assets		
Cash and cash equivalents	$2,845,154	$ 2,289,743
Accounts receivable, net of allowance for doubtful accounts of $1,549,000 and $1,795,000 in 2002 and 2001, respectively	31,753,934	41,174,828
Income tax refund receivable	3,766,585	6,810,093
Prepaid expenses and other current assets	2,635,304	2,968,612
Deferred tax assets	6,246,119	5,600,000
Total current assets	47,247,096	58,843,276
Property and equipment, at cost		
Equipment and leasehold improvements	9,708,344	11,131,750
Less: accumulated depreciation and amortization	3,818,092	4,282,985
	5,890,252	6,848,765
Other assets		
Deposits	86,590	175,691
Goodwill	36,653,595	62,499,025
Intangible assets, net of accumulated amortization of $211,000 and $190,000 in 2002 and 2001, respectively	99,655	120,375
Deferred tax assets		2,668,813
	36,839,840	65,463,904
Total assets	$89,977,188	$131,155,945

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED
December 31, 2002 and 2001

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
Current liabilities		
Note payable	$7,420,000	$31,500,000
Accounts payable and accrued expenses	14,728,729	8,653,876
Accrued payroll	4,363,024	5,137,336
Payroll and withheld taxes	193,850	375,784
Income taxes payable	4,025,431	2,199,149
Total current liabilities	30,731,034	47,866,145
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; 10,626,076 and 10,571,761 shares issued and outstanding in 2002 and 2001, respectively	531,304	528,588
Accumulated other comprehensive loss	(584,084)	(484,283)
Additional paid-in capital	93,935,938	93,746,569
Accumulated deficit	(34,637,004)	(10,501,074)
	59,246,154	83,289,800
Total liabilities and shareholders' equity	$89,977,188	$131,155,945

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Revenues	$186,650,616	$234,739,066	$305,444,247
Cost of services	139,985,755	172,163,326	227,399,083
Gross profit	46,664,861	62,575,740	78,045,164
Operating costs and expenses			
Selling, general and administrative	33,320,034	42,840,489	54,493,684
Depreciation	1,258,323	1,124,601	1,152,183
Amortization	20,720	6,292,942	5,494,141
Impairment of goodwill	29,990,099	34,993,435	35,334,972
Unusual items			
Restructuring charge			1,371,740
Non recurring			2,100,000
Litigation charge	9,717,663		
	74,306,839	85,251,467	99,946,720
Operating loss	(27,641,978)	(22,675,727)	(21,901,556)
Other (expenses) income			
Interest (expense), net of interest income	(171,900)	(2,289,096)	(3,677,577)
Gain (loss) on foreign currency transactions	16,967	20,837	(24,728)
	(154,933)	(2,268,259)	(3,702,305)
Loss from continuing operations before income taxes	(27,796,911)	(24,943,986)	(25,603,861)
Income tax benefit	(4,628,046)	(6,208,058)	(3,655,511)
Loss from continuing operations	(23,168,865)	(18,735,928)	(21,948,350)
(Loss) gain from discontinued operations net of taxes of $644,000 (2002), $13,400 (2001) and $34,600 (2000)	(967,065)	(20,041)	51,964
Net loss	($24,135,930)	($18,755,969)	($21,896,386)

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Basic earnings per share			
Loss from continuing operations	($2.19)	($1.78)	($2.09)
Loss from discontinued operations	(.09)		
Net loss	($2.28)	($1.78)	($2.09)
Weighted average number of common shares outstanding	10,585,503	10,519,701	10,499,305
Diluted earnings per share			
Loss from continuing operations	($2.19)	($1.78)	($2.09)
Loss from discontinued operations	(.09)		
Net loss	($2.28)	($1.78)	($2.09)
Weighted average number of common and common equivalent shares outstanding	10,585,503	10,519,701	10,499,305

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 2002, 2001 and 2000

	Common Stock		Accumulated Other Comprehensive Loss	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)
	Shares	Amount			
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
Issuance of stock under employee stock purchase plan	72,110	3,606		230,489	
Translation adjustment			(250,652)		
Net loss					(18,755,969)
Balance, December 31, 2001	10,571,761	528,588	(484,283)	93,746,569	(10,501,074)
Issuance of stock under employee stock purchase plan	53,410	2,671		187,885	
Exercise of stock options	905	45		1,484	
Translation adjustment			(99,801)		
Net loss					(24,135,930)
Balance, December 31, 2002	10,626,076	$531,304	($584,084)	$93,935,938	($34,637,004)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Net Loss	($24,135,930)	($18,755,969)	($21,896,386)
Foreign currency translation adjustment	(99,801)	(250,652)	(180,867)
Comprehensive Loss	($24,235,731)	($19,006,621)	($22,077,253)

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Cash flows from operating activities:			
Net loss	($24,135,930)	($18,755,969)	($21,896,386)
Adjustments to reconcile net Loss to net cash provided by operating activities:			
Loss (gain) on discontinued operations	967,065	20,041	(51,964)
Depreciation and amortization	1,279,043	7,417,543	6,648,139
Provision for allowances on accounts receivable	(246,000)	(80,000)	861,000
Restructuring and unusual charges	29,990,099	34,993,435	38,806,712
Changes in assets and liabilities:			
Accounts receivable	9,666,894	22,937,736	1,761,114
Income tax refund receivable	3,043,508	607,165	(7,417,258)
Deferred tax	2,022,694	(6,819,295)	(1,449,518)
Prepaid expenses and other current assets	(774,602)	192,627	(1,148,515)
Accounts payable and accrued expenses	6,074,855	(6,999,251)	8,052,333
Accrued payroll	(774,314)	(2,553,922)	952,494
Payroll and withheld taxes	(181,934)	(936,044)	42,563
Income taxes payable	3,578,189	(93,720)	1,501,695
Total adjustments	54,645,497	48,686,315	48,558,795
Net cash provided by operating activities	$30,509,567	$29,930,346	$26,662,409

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

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Cash flows from investing activities:			
Proceeds on sale of reporting unit	$ 100,000		
Property and equipment acquired	(626,978)	($1,819,593)	($1,669,470)
Decrease (increase) in deposits	89,101	47,821	(17,634)
Cash paid for acquisitions, net of cash acquired	(5,528,563)	(13,222,932)	(25,692,538)
Net cash used in investing activities	(5,966,440)	(14,994,704)	(27,379,642)
Cash flows from financing activities:			
Repayments of note payable	(24,080,000)	(15,800,000)	
Sale of stock for employee stock purchase plan	190,556	234,095	
Exercise of stock options	1,529		42,950
Net cash (used in) provided by financing Activities	(23,887,915)	(15,565,905)	42,950
Effect of exchange rate changes on cash and cash equivalents	(99,801)	(250,652)	(180,867)
Net increase (decrease) in cash and cash equivalents	555,411	(880,915)	(855,150)
Cash and cash equivalents at beginning of year	2,289,743	3,170,658	4,025,808
Cash and cash equivalents at end of year	$2,845,154	$2,289,743	$3,170,658
Supplemental cash flow information:			
Cash paid for:			
Interest expense	$835,221	$2,645,404	$4,215,266
Income taxes (refund)	(12,164,528)	793,591	4,831,496
Acquisitions:			
Fair value of assets acquired, including contingent consideration payments	5,528,563	13,222,932	40,506,867
Liabilities assumed			14,814,329
Cash paid, net of cash acquired	$5,528,563	$13,222,932	$25,692,538

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2002, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Basis of Presentation

RCM Technologies is a premier provider of business and technology solutions designed to enhance and maximize the performance of its customers through the adaptation and deployment of advanced information technology and engineering services. RCM's offices are located in major metropolitan centers 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.

Cash and Cash Equivalents

The Company considers its holdings of highly liquid money-market instruments to be cash equivalents if the securities mature within 90 days from the date of acquisition. These investments are carried at cost, which approximates fair value.

Allowance for Doubtful Accounts

An allowance against accounts receivables is provided for receivables that are not expected to be realized. The allowance is established based on historical experience and for any receivables that are known or estimated to be un- collectible.

Property and Equipment

Property and equipment are stated at cost and are depreciated on the straight-line method at rates calculated to provide for retirement of assets at the end of their estimated useful lives. The annual rates are 20% for computer hardware and software as well as furniture and office equipment. Leasehold improvements are amortized over the shorter of the estimated life of the asset or the lease term.

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 is reflected in the consolidated balance sheets as goodwill. Goodwill, net of amortization, at December 31, 2002 and 2001 was $36,653,000 and $62,499,000, respectively, and was being amortized on a straight-line method over twenty years effective January 1, 2001. Effective January 1, 2002, all previously recognized goodwill and intangible assets with indefinite lives are no longer subject to amortization. The amortization period prior to January 1, 2001 was 40 years. Amortization expense for the years ended December 31, 2002 and 2001 and 2000 was $-0-, $6,293,000 and $5,494,000, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

The Company performed an impairment review in accordance with the requirements of SFAS No. 142 for the calendar year 2002 and in accordance with SFAS No. 121 for calendar years 2001 and 2000. During the fourth quarter of calendar 2002 and 2001 and the third quarter of calendar 2000, the reviews indicated that there was an impairment of value, which resulted in a $30.0 million and $35.0 million and $35.3 million charge to expense for the years ended December 31, 2002 and 2001 and 2000, respectively, in order to properly reflect the appropriate carrying value of goodwill.

Change in Accounting Estimate

Effective January 1, 2001, the Company had 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 $3,146,000 or $.29 on a diluted earnings per share basis, for the year ended December 31, 2001.

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, 2002, 2001and 2000, the Company capitalized approximately $287,000, $176,000 and $506,000, 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.

Revenue Recognition

The Company derives its revenues from several sources. All of the Company's segments perform staffing services. The Company's Professional Engineering Services and Information Technology Services segments also perform project services. The Information Technology Services segment also derives revenue from permanent placement fees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Staffing Services - Revenues derived from staffing services are recorded on a gross basis as services are performed and associated costs have been incurred using employees of the Company. In these circumstances, the Company assumes the risk of acceptability of its employees to its customers.

Project Services - Project services are generally provided on a cost-plus-fixed-fee or time-and-material basis. Typically, a customer will outsource a discrete project or activity and the Company assumes responsibility for performance of the function or project. The Company recognizes revenues and associated costs on a gross basis as services are performed and costs are incurred using its employees. In instances where project services are provided on a fixed-price basis, and the contract will extend beyond a 12-month period, revenue is recorded in accordance with the terms of each contract. In some instances, revenue is billed and recorded at the time certain milestones are reached, as defined in the contract. In other instances, revenue is billed and recorded based upon contractual rates per hour. In addition some contracts contain "Performance Fees" (bonuses) for completing a contract under budget. Performance fees, if any, are recorded when the contract is completed and the revenue is reasonably certain of collection. Some contracts also limit revenues and billings to maximum amounts. Expenses related to contracts that extend beyond a 12-month period are charged to "Cost of Services" as incurred.

Permanent Placement Fees - The Company earns permanent placement fees. Fees for placements are recognized at the time the candidate commences employment. Based upon the Company's historical experience, the Company's refunds to customers have been immaterial. However, an allowance for such refunds is recorded in the financial statements. Revenues are recorded on a gross basis as a component of revenue.

During 2002, one customer accounted for 12.2% of the Company's revenues. During 2001 and 2000 no single customer accounted for more than 6% of the Company's revenues.

In January 2002, the Emerging Issues Task Force of the FASB (the EITF) issued Consensus No. 01-14 "Income Statement Characterization of Reimbursements Received for `Out-of-Pocket' Expenses Incurred". This consensus requires that certain reimbursable costs incurred and re-billed to customers be included in both revenues and cost of services, rather than "netting" these amounts in revenues. EITF Consensus 01-14 is effective for fiscal years commencing after December 15, 2001. The Company has implemented this Consensus for the year 2002 and appropriately reclassified prior periods. This Consensus did not affect the financial position or net earnings, and is not expected to have a material effect on revenues and cost of services.

Foreign Currency Translation

The Company's foreign subsidiary uses local currency as the functional currency. Net assets are translated at year-end rates while revenues and expenses are translated at average exchange rates. Adjustments resulting from these translations are reflected in "Accumulated Other Comprehensive Loss" in shareholders' equity. Gains and losses arising from foreign currency transactions are reflected in the consolidated statements of earnings.

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, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Basic average shares outstanding	10,585,503	10,519,701	10,499,305
Dilutive effect of stock options			
Dilutive shares	10,585,503	10,519,701	10,499,305

Options to purchase 2,474,214 shares of common stock at prices ranging from $3.00 to $15.31 per share were outstanding during the year ended December 31, 2002, but were not included in the computation of diluted EPS because of net loss incurred in 2002.

Options to purchase 2,415,780 shares of common stock at prices ranging from $3.00 to $15.31 per share were outstanding during the year ended December 31, 2001, but were not included in the computation of diluted EPS because of net loss incurred in 2001.

Options to purchase 1,367,795 shares of common stock at prices ranging from $3.00 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.

Stock-Based Compensation

The Company accounts for stock options under SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue accounting for employee stock options and similar equity instruments under Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees. Entities that continue to account for stock options using APB Opinion 25 are required to make pro forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Stock Based Compensation (Continued)

At December 31, 2002, the Company has four stock-based employee compensation plans, which are more fully described in note 10. The Company accounts for the plans under the recognition and measurement principles of APB No. 25, Accounting for Stock Issued to Employees, and related interpretations. Stock-based employee compensation costs are not reflected in net loss, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock-based employee compensation (in thousands, except per share amounts).

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Net loss:			
As reported	($24,135,930)	($18,755,969)	($21,896,386)
Pro forma	(25,665,341)	($21,768,692)	($22,600,103)
Diluted loss per share:			
As reported	($2.28)	($1.78)	($2.09)
Pro forma	($2.42)	($2.07)	($2.15)

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 2002, 2001 and 2000, respectively: expected volatility of 49% in 2002 and 70% in 2001 and 2000; risk-free interest rates of 4.06%, 5.91% and 5.91%; and expected lives of 5 years. The weighted-average per share fair value of options granted during fiscal years 2002, 2001 and 2000 was $2.18, $4.66 and $4.22, respectively.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense was $576,000, $722,000, and $1,871,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

Fair Value of Financial Instruments

The carrying value of significant financial instruments approximates fair value because of the nature and characteristics of its financial instruments. The Company's financial instruments are accounts receivable, accounts payable, note payable and investments held in the deferred compensation plan. The Company does not have any off-balance sheet financial instruments or derivatives.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates and Uncertainties

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

The Company has risk participation arrangements with respect to workers compensation and health care insurance. The amounts included in the Company's costs related to this risk participation are estimated and can vary based on changes in assumptions, the Company's claims experience or the providers included in the associated insurance programs.

The Company can be affected by a variety of factors including uncertainty relating to the performance of the U.S. economy, competition, demand for the Company's services, adverse litigation and claims and the hiring, training and retention of key employees.

Reclassifications

Certain prior year financial statement amounts have been reclassified to be consistent with the presentation for the current year.

New Accounting Standards

On July 20, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Intangible Assets." SFAS 142 is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, the Company no longer amortizes goodwill, thereby eliminating an annual amortization charge of approximately $4.7 million.

Under the provisions of SFAS No. 142, the Company is required to perform a transitional goodwill impairment test within six months of adopting the new standard and to test for impairment on at least an annual basis thereafter. The transitional impairment testing was completed during the second quarter of 2002, and as of January 1, 2002, the transition date, there was no impairment of goodwill.

For purposes of the annual impairment testing, the Company determined the fair value of its reporting units using and relative market multiples for comparable businesses, as of November 30, 2002. The Company compared the fair value of each of its reporting units to their respective carrying values, including related goodwill, which resulted in an impairment loss of approximately $30 million.

In August 2001, the FASB issued SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS 144 retains the existing requirements to recognize and measure the impairment of long-lived assets to be held and used or to be disposed of by sale. However, SFAS 144 makes changes to the scope and certain measurement requirements of existing accounting guidance. SFAS 144 also changes the requirements relating to reporting the effects of a disposal or discontinuation of a segment of a business. SFAS 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this Statement had the effect of including a loss of $967,000 in Discontinued Operations on the Consolidated Statement of Income and Comprehensive Income for the nine month and three month periods ended September 30, 2002, respectively relating to the sale of a reporting unit. This amount would have been included in income from continuing operations prior to the adoption of SFAS 144.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

In April 2002, Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB No. 13, and Technical Corrections" (SFAS No. 145) was issued. This standard changes the accounting principles governing extraordinary items by, among other things, providing more definitive criteria for extraordinary items by clarifying and, to some extent, modifying the existing definition and criteria, specifying disclosure for extraordinary items and specifying disclosure requirements for other unusual or infrequently occurring events and transactions that are not extraordinary items. SFAS 145 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The provisions of the Statement are not expected to have a material impact on the financial condition or results of operations of the Company.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is effective prospectively for exit and disposal activities initiated after December 31, 2002. As the provisions of SFAS 146 are to be applied prospectively after the adoption date, the Company cannot determine the potential effects that the adoption of SFAS 146 will have on its consolidated financial statements.

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS 148 amends SFAS 123 "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. SFAS 148 is effective for fiscal years beginning after December 15, 2002. The expanded annual disclosure requirements and the transition provisions are effective for fiscal years ending after December 15, 2002. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. Management does not expect the adoption of SFAS 148 to have a material effect on the Company's financial position, results of operations, or cash flows.

2. DISCONTINUED OPERATIONS

In August 2002, the Company sold a reporting unit in the commercial services business segment for $100,000, which resulted in a loss of $1.6 million ($967,000 net of income tax benefit of $644,000) for the year ended December 31, 2002, or $.09 per share and $33,400 ($20,000 net of income tax benefit of $13,400) for the year ended December 31, 2001, or $0.0 per share and income of $86,600 ($52,000 net of income tax of $34,600) for the year ended December 31, 2000, or $0.0 per share. In accordance with Statement of Financial Accounting Standards (SFAS) 144, the loss is presented as a loss from discontinued operations in the statements of operations for each of the three years in the period ended December 31, 2002. The Company has not discontinued its commercial services business segment. The financial statements for the comparative periods have been reclassified for comparative purposes.

3. UNUSUAL ITEMS

During the years ended December 31, 2002 and 2001 and 2000, the Company recorded the following unusual items:

In Millions	2002	2001	2000
Restructuring charge			$1.4
Other nonrecurring charges			2.1
Litigation charge	$9.7		
	$9.7	$	$3.5

Restructuring Charge

The restructuring charge of $1.4 million for the year ended December 31, 2000 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 for the year ended December 31, 2000 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.

Litigation Charge

In 1998, two shareholders, who were formerly officers and directors of the Company, filed suit against the Company alleging wrongful termination of their employment, failure to make required severance payments, wrongful conduct by the Company in connection with the grant of stock options, and wrongful conduct by the Company resulting in the non-vestiture of their option grants. The complaint also alleged that the Company wrongfully limited the number of shares of the Company's common stock that could have been sold by the plaintiffs under a Registration Rights Agreement entered into in connection with the underlying acquisition transaction pursuant to which the plaintiffs became shareholders of the Company. The complaint sought damages of approximately $480,000 on the severance pay claim. The damages alleged on their other claims were unliquidated; claims for punitive damages were also asserted in several counts of the complaint. The most significant compensatory damages claim, under the Registration Rights Agreement, sought the difference between the amount for which plaintiffs could have sold their RCM shares during the 12-month period ended March 11, 1999, but for the alleged wrongful limitation on their sales, and the amount for which the plaintiffs sold their shares during that period and thereafter.

3. UNUSUAL ITEMS (CONTINUED)

Litigation Charge (Continued)

The claim relating to the wrongful termination of the employment of one of the plaintiffs and the claims of both plaintiffs concerning the grant of stock options were resolved in binding arbitration in early 2002. A trial on the remaining claims commenced on December 2, 2002 and a verdict was returned on January 24, 2003. The claims adjudicated at the trial were: (i) the claims by both plaintiffs concerning the alleged wrongful limiting of the number of shares that plaintiffs could sell during the 12-month period ended March 11, 1999, on which a verdict awarding damages against the Company of $7.6 million was returned; (ii) the claim for the alleged wrongful termination of one of the plaintiffs, which was dismissed by the trial judge; (iii) that same plaintiff's claim of entitlement to severance pay of $230,000 under his employment agreement, which was rejected by the jury in a verdict that the plaintiff will likely seek to set aside; and (iv) the claims by both plaintiffs for the alleged wrongful prevention of stock option vestiture, which were rejected by the jury. The Company's motion to strike all claims for punitive damages was granted.

In connection with this litigation, the Company incurred $9.7 million of litigation charges at December 31, 2002, which includes the jury award of $7.6 million, professional fees of $1.1 million and an estimate of $1.0 million for attorney fees and pre-judgment interest.

4. ACQUISITIONS

During the three year period ended December 31, 2002, the Company acquired 3 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.

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. As of December 31, 2002, the Company estimates that the sum of the Deferred Consideration and Earnouts to be as follows:

Year Ending	Amount
2003	$1,900,000

The Deferred Consideration and Earnouts, when paid, will be recorded as additional purchase consideration and added to intangible assets on the consolidated balance sheet. The Company's acquisition activities are as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Number of acquisitions			3
Consideration paid:			
Cash at closing			$10,375,000
Deferred consideration payments	$5,529,000	$13,200,000	$13,800,000

4. ACQUISITIONS (CONTINUED)

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, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Revenues	$186,651,000	$234,739,000	$305,444,000
Operating income before goodwill impairment and unusual items	12,066,000	12,318,000	18,554,000
Impairment of goodwill	(29,990,000)	(34,993,000)	(35,335,000)
Unusual items	(9,718,000)		(3,472,000)
Net loss	($24,136,000)	($18,756,000)	($21,101,000)
Loss per share, basic and diluted	($2.28)	($1.78)	($2.09)

5. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	December 31, 2002	December 31, 2001
Equipment and furniture	$2,370,922	$3,370,458
Computer equipment and software	6,767,050	7,197,481
Leasehold improvements	570,372	563,811
	9,708,344	11,131,750
Less: accumulated depreciation and amortization	3,818,092	4,282,985
	$5,890,252	$6,848,765

6. GOODWILL AND OTHER INTANGIBLES

Effective January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142 includes requirements to test Goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, the Company no longer amortizes Goodwill and indefinite lived intangible assets, thereby eliminating annual amortization of approximately $4.7 million.

SFAS 142 also requires the Company to perform a transitional goodwill impairment test within six months of adopting the new standard and to test for impairment on at least an annual basis thereafter. The transitional impairment testing was completed during the second quarter of 2002, and as of January 1, 2002, the transition date, there was no impairment of goodwill.

Annual Impairment Test

As a result of the softness experienced in the IT sector and the resultant revenue decline, management had been closely monitoring the operating results of its IT branches throughout the year, instituting significant reductions in selling, general and administrative expenses and increasing efforts to revitalize sales levels.

6. GOODWILL AND OTHER INTANGIBLES (CONTINUED)

Annual Impairment Test (Continued)

However, during the fourth quarter, given the current economic environment and continued reduction of capital spending on technology, management determined that operating performance of certain of its branches indicated that the possibility of impairment of goodwill arising at acquisition might be impaired.

The Company performed its annual impairment test as of November 30, 2002 in accordance with SFAS No. 142. The Company determined the fair value of its reporting units using relative market multiples for comparable businesses and discounted cash flow models. The Company compared the fair value of each of its reporting units to their respective carrying values, including related goodwill. The analysis revealed that goodwill, amounting to approximately $30.0 million ($24.7 million after taxes) had been impaired and, therefore, would not be recoverable through future profitable operations. The write-off of goodwill included the complete write-off of goodwill associated with four of the Company's reporting units and a partial write-off of goodwill associated with one of the Company's reporting units. There can be no assurance that future goodwill impairment tests will not result in further impairment charges. For the years ended December 31, 2001 and 2000, the Company performed an impairment review in accordance with SFAS No. 121 which resulted in a $35.0 million and $35.3 million charge to expense, respectively.

The changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2001 are as follows (in thousands):

	Information Technology	Professional Engineering	Commercial Services	Total
Balance as of December 31, 2000	$78,228	$8,889	$1,397	$88,514
Goodwill acquired during the year	13,833	1,417		15,250
Amortization of goodwill	(5,587)	(672)	(13)	(6,272)
Goodwill impairment losses	(30,044)	(4,949)		(34,993)
Balance as of December 31, 2001	56,430	4,685	1,384	62,499
Goodwill acquired during the year	2,686	2,843		5,529
Goodwill impairment losses	(29,990)			(29,990)
Goodwill written off related to sale of business unit			(1,384)	(1,384)
Balance as of December 31, 2002	$29,126	$7,528	$	$36,654

The following table reflects the components of intangible assets, excluding Goodwill (in thousands):

	December 31, 2002		December 31, 2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets				
Non-compete agreement	$311	$211	$311	$190

Estimated amortization expense on intangible assets for each of the next five years is approximately $21,000.

6. GOODWILL AND OTHER INTANGIBLES (CONTINUED)

Reported net loss, exclusive of goodwill amortization that is related to goodwill that is no longer amortized, would have been (in thousands):

	Year Ended December 31,		
	2002	2001	2000
Reported net loss	($24,136)	($18,756)	($21,896)
Add back: goodwill amortization, net of tax		5,385	4,390
Adjusted net loss	($24,136)	($13,371)	($17,506)
Basic earnings per common share:			
Reported net loss	($2.28)	($1.78)	($2.09)
Goodwill amortization		.51	.42
Adjusted net loss	($2.28)	($1.27)	($1.67)
Diluted earnings per common share:			
Reported net loss	($2.28)	($1.78)	($2.09)
Goodwill amortization		.51	.42
Adjusted net loss	($2.28)	($1.27)	($1.67)

7. ACCOUNTS PAYABLE

Accounts payable and accrued expenses consist of the following at December 31, 2002 and 2001.

	2002	2001
Accounts payable - trade	$5,056,539	$5,338,633
Due to sellers	1,072,190	2,715,243
Reserve for litigation	8,600,000	600,000
Total	$14,728,729	$8,653,876

8. NOTE PAYABLE

The Company and its subsidiaries entered into an amended and restated loan agreement on May 31, 2002 with Citizens Bank of Pennsylvania, administrative agent for a syndicate of banks, which provides for a $40.0 million Revolving Credit Facility (the "Revolving Credit Facility") (See Note 9) and a $7.5 million Term Loan Facility (the "Term Loan Facility"). The $7.5 million outstanding balance under the Term Loan Facility was repaid on July 2, 2002, thereby canceling the Term Loan Facility. Availability under the Revolving Credit Facility is based on 80% of the aggregate amount of accounts receivable as to which not more than ninety days have elapsed since the date of the original invoice. 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.

All borrowings under the Revolving Credit Facility are collateralized by all of the assets of the Company and its subsidiaries and a pledge 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.

8. NOTE PAYABLE (CONTINUED)

The Revolving Credit Facility expires in August 2004. The weighted average interest rates under the Revolving Credit Facility and Term Loan Facility for the year ended December 31, 2002 and 2001 were 4.06% and 6.49%, respectively. The amounts outstanding under the Revolving Credit Facility at December 31, 2002 and 2001 were $7.4 million and $31.5 million, respectively.

9. NOTE PAYABLE - SUBSEQUENT EVENT

The Company and its subsidiaries entered into an amended and restated loan agreement on February 26, 2003 with Citizens Bank (Note 8) which reduced the Revolving Credit Facility to $25.0 million.

10. SHAREHOLDERS' EQUITY

Common Shares Reserved

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

	December 31,	
	2002	2001
Exercise of options outstanding	2,474,214	2,415,780
Future grants of options	713,031	799,665
Total	3,187,245	3,215,445

Incentive Stock Option Plans

1992 Incentive Stock Option Plan (the 1992 Plan)

The 1992 Plan, approved by the Company's stockholders in April 1992, and amended in April 1998, provides for the issuance of up to 100,000 shares of common stock to officers, directors and key employees of the Company and its subsidiaries, through February 13, 2002, at which time the 1992 Plan expired. The options issued 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. The Compensation Committee of the Board of Directors determines the vesting period at the time of grant. As of December 31, 2002, 382,920 options were outstanding.

1994 Non-employee Directors Stock Option Plan (the 1994 Plan)

The 1994 Plan, approved by the Company's stockholders in May 1994, and amended in April 1998, provides for issuance of up to 110,000 shares of common stock to non-employee directors of the Company through July 19, 2002. Options are granted at fair market value at the date of grant, and the exercise of options is contingent upon service as a director for a period of one year. Options granted terminate when an optionee ceases to be a Director of the Company. At December 31, 2002, 30,000 options are available for future grants, and 80,000 options were outstanding.

1996 Executive Stock Option Plan (the 1996 Plan)

The 1996 Plan, approved by the Company's stockholders in August 1996 and amended in April 1999, provides for issuance of up to 1,250,000 shares of common stock to officers and key employees of the Company and its subsidiaries through January 1, 2006. Options are generally granted at fair market value at the date of grant. The Compensation Committee of the Board of Directors determines the vesting period at the time of grant. At December 31, 2002, 53,447 options are available for future grants, and 1,141,378 options were outstanding.

10. SHAREHOLDERS' EQUITY (CONTINUED)

Incentive Stock Option Plans (Continued)

2000 Employee Stock Incentive Plan (the 2000 Plan)

The 2000 Plan, approved by the Company's stockholders in April 2001, provides for issuance of up to 1,500,000 shares of the Company's common stock to officers and key employees of the Company and its subsidiaries or to consultants and advisors utilized by the Company. The Compensation Committee of the Board of Directors may award incentive stock options or non-qualified stock options, as well as stock appreciation rights, and determines the vesting period at the time of grant. At December 31, 2002, 629,584 options are available for future grants, and 869,916 options were outstanding.

Transactions related to all stock options are as follows:

	Year Ended December 31, 2002	Weighted-Average Exercise Price	Year Ended December 31, 2001	Weighted-Average Exercise Price	Year Ended December 31, 2000	Weighted-Average Exercise Price
Outstanding options At beginning of year	2,415,780	$7.53	2,039,539	$8.85	1,359,170	$10.23
Granted	325,500	4.57	593,999	3.08	791,974	7.03
Forfeited	(266,161)	6.82	(217,758)	7.59	(108,179)	12.54
Exercised	(905)	3.06			(3,426)	12.54
Outstanding options At end of year	2,474,214	$7.15	2,415,780	$7.53	2,039,539	$8.85
Exercisable options At end of year	1,663,715		1,580,565		1,367,795	
Option grant price per share	$3.00 to $15.31		$3.00 to $15.31		$3.00 to $20.13	

The following table summarizes information about stock options outstanding at December 31, 2002:

Range of Exercise Prices	Number of Outstanding Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
$ 3.00 - $ 4.40	691,716	8.4 years	$ 3.30
$ 4.70 - $ 7.05	443,200	8.3 years	$ 4.78
$ 7.13 - $10.63	839,540	4.3 years	$ 8.34
$11.25 - $15.31	499,758	6.3 years	$12.84

10. SHAREHOLDERS' EQUITY (CONTINUED)

Employee Stock Purchase Plan

The Company implemented an Employee Stock Purchase Plan (the "Purchase Plan") with shareholder approval, effective January 1, 2001. 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. During the year ended December 31, 2002, there were 53,410 shares issued under the Purchase Plan for net proceeds of $190,555. As of December 31, 2002, 374,480 shares were available for issuance under the Purchase Plan.

11. 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, 2002, 2001 and 2000 were $0, $457,000 and $694,000, respectively.

Nonqualified Defined Compensation Plan

The Company implemented with shareholder approval a nonqualified deferred compensation plan, effective January 1, 2001 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. As of December 31, 2002, the fair value of the assets held in trust under the deferred compensation plan was $393,000.

12. 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, 2002, Mr. Kopyt would have been entitled to cash payments of approximately $3.2 million (representing salary and excise tax payments).

12. COMMITMENTS (CONTINUED)

Severance Agreement

On June 10, 2002, the Company entered into a Severance Agreement (the "Severance Agreement") with its Chief Executive Officer, Leon Kopyt. The agreement provides for certain payments to be made to Mr. Kopyt and for the continuation of Mr. Kopyt's employee benefits for a specified time after his service with the Company is terminated other than for Cause, as defined in the Severance Agreement. Amounts payable to Mr. Kopyt under the Severance Agreement would be offset and reduced by any amounts received by Mr. Kopyt after his termination of employment under his current employment and termination benefits agreements, which are supplemented and not superseded by the Severance Agreement. If Mr. Kopyt had been terminated as of December 31, 2002, then under the terms of the Severance Agreement, and after offsetting any amounts that would have been received under his current employment and termination benefits agreements, he would have been entitled to cash payments of approximately $1.4 million, inclusive of employee benefits.

Operating Leases

The Company leases office facilities and various equipment under noncancellable leases expiring at various dates through June 2012. 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
2003	$2,094,000
2004	1,791,000
2005	1,118,000
2006	1,078,000
2007	1,028,000
Thereafter	3,636,000
Total	$10,745,000

Rent expense for the years ended December 31, 2002, 2001 and 2000 was $3,245,000, $2,633,000 and $3,175,000, respectively.

The Company subleases space at various office locations under non-cancellable lease agreements. During fiscal 2002 revenues of approximately $105,000 were recognized under these leasing arrangements.

13. 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.

14. INCOME TAXES The components of income tax expense (credit) are as follows:

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Current			
Federal		($1,913,315)	($2,180,666)
State and local		323,650	(325,393)
Foreign	$ 974,073	2,187,502	334,666
	974,073	597,837	(2,171,393)
Deferred			
Federal	(6,246,119)	(6,456,915)	(1,297,000)
State and local		(362,380)	(152,518)
Foreign			
	(6,246,119)	(6,819,295)	(1,449,518)
Total	($5,272,046)	($6,221,458)	($3,620,911)

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

	2002	2001	2000
Tax at statutory rate (credit)	(34.0)%	(34.0)%	(34.0)%
State income taxes, net of Federal income tax benefit		(1.7)	
Foreign income tax effect	3.3	8.7	1.9
Non-deductible unusual charges	15.7	4.0	20.3
Other, net	(2.9)	(1.9)	(2.4)
Total income tax expense	(17.9)%	(24.9)%	(14.2)%

At December 31, 2002 and 2001, deferred tax assets and liabilities consists of the following:

Deferred tax assets:	2002	2001
Net operating loss carryforward	$3,019,712	$8,268,813
Allowance for doubtful accounts	691,600	695,000
Reserves and accruals	195,153	
Litigation reserve	3,400,000	
	7,306,465	8,963,813
Deferred tax liability:		
Goodwill	(368,746)	
	6,937,719	8,963,813
Less: valuation allowance	(691,600)	(695,000)
	$6,246,119	$8,268,813

At December 31, 2002, the Company had a net operating loss carryforward ("NOL") for U.S. Federal Income Tax purposes of approximately $7.5 million. The Company can utilize the NOL to offset future U.S. consolidated federal taxable income. The NOL, if unused, would expire in the year 2022.

14. INCOME TAXES (CONTINUED)

At December 31, 2001, the Company had recorded, based on the law at that time, a deferred tax asset of $8,268,813 (current - $5,600,000; long-term - $2,668,813), representing the tax effect of net operating loss carry forwards. As a result of 2002 tax law changes increasing the loss carryback period from 3 to 5 years, all deferred tax assets recorded at December 31, 2001 were realized in the second quarter of 2002.

15. INTEREST EXPENSE, NET OF INTEREST INCOME

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

	Year Ended December 31,		
	2002	2001	2000
Interest expense	($770,404)	($2,586,473)	($3,992,911)
Interest income	598,504	297,377	315,334
	($171,900)	($2,289,096)	($3,677,577)

16. 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 2002	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$111,270	$55,979	$19,402		$186,651
Operating expenses (1)	103,190	51,275	18,841		173,306
EBITDA (1) (2)	8,080	4,704	561		13,345
Unusual charges	29,990			9,718	39,708
Depreciation	793	393	72		1,258
Amortization	17	4			21
Operating (loss) income (1)(3)	($22,720)	$4,307	$489	($9,718)	($27,642)
Total assets	$46,375	$19,929	$4,913	$18,760	$89,977
Capital expenditures	$101	$162		$364	$627

16. SEGMENT INFORMATION (CONTINUED)

Fiscal 2001	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$165,568	$47,119	$22,052		$234,739
Operating expenses (1)	151,955	41,648	21,401		215,004
EBITDA (1) (2)	13,613	5,471	651		19,735
Unusual charges	30,044	4,949			34,993
Depreciation	794	276	55		1,125
Amortization	5,587	672	34		6,293
Operating (loss) income(1) (3)	($22,812)	($426)	$562		($22,676)
Total assets	$85,306	$15,999	$5,489	$24,362	$131,156
Capital expenditures	$426	$173		$1,201	$1,800

Fiscal 2000	Information Technology	Professional Engineering	Commercial Services	Corporate	Total
Revenue	$236,737	$43,595	$25,112		$305,444
Operating expenses (1)	216,606	41,161	24,126		281,893
EBITDA (1) (2)	20,131	2,434	986		23,551
Unusual charges	36,913	1,894			38,807
Depreciation	848	277	27		1,152
Amortization	4,821	630	43		5,494
Operating (loss) income (1)(3)	($ 22,451)	($ 367)	$916		($ 21,902)
Total assets	$131,414	$17,591	$6,433	$18,831	$174,269
Capital expenditures	$827	$205	$56	$633	$1,721

(1) Operating expenses excludes depreciation and amortization.

(2) EBITDA consists of earnings before interest income, interest expense, other non-operating income and expense, income taxes, depreciation and amortization. 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.

(3) The operating results of a reporting unit sold in August 2002, are excluded from operating income of the Commercial Services Business Segment for all periods presented.

16. SEGMENT INFORMATION (CONTINUED)

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

	Year Ended December 31,		
	2002	2001	2000
Consolidated operating loss	($27,642)	($22,676)	($21,902)
Interest expense, net of interest income	(155)	(2,268)	(3,702)
Consolidated pretax loss from continuing operations	($27,797)	($24,944)	($25,604)

The Company derives a substantial majority of its revenue from companies headquartered in the United States. In calendar year 2000 and 2001, no single customer exceeded 6% of the Company's revenue. In calendar year 2002, two customers accounted for 12.2% and 6.6%, respectively, of the Company's revenues. Revenues from Canadian operations for the years ended December 31, 2002, 2001 and 2002 were $27.8 million, $24.2 million and $22.7 million, respectively.

17. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Year Ended December 31, 2002

	Sales	Gross Profit	Net Income (Loss)	Diluted Net Income (Loss) Per Share (a)
1st Quarter	$47,774,202	$12,461,021	$2,144,587	$.20
2nd Quarter	47,305,894	11,738,910	2,113,487	.20
3rd Quarter	46,227,581	11,866,082	966,274	.09
4th Quarter	45,342,939	10,598,848	(29,360,278)	(2.77)
Total	$186,650,616	$46,664,861	($24,135,930)	($2.28)

Year Ended December 31, 2001

	Sales	Gross Profit	Net Income (Loss)	Diluted Net Income (Loss) Per Share (a)
1st Quarter	$67,227,333	$17,992,539	$1,150,944	$.11
2nd Quarter	61,169,114	16,403,508	1,352,116	.13
3rd Quarter	55,702,416	14,615,257	758,796	.07
4th Quarter	50,640,203	13,564,436	(22,017,825)	(2.09)
Total	$234,739,066	$62,575,740	($18,755,969)	($1.78)

(a) Each quarterly amount is based on separate calculations of weighted average shares outstanding.

18. CONTINGENCIES

The Company is a party to two lawsuits and three claims from various persons from whom the Company acquired stock or assets in five separate acquisitions that occurred in the years 1998 through 2000. The lawsuits and claims are not related to one another. The lawsuits and claims arise from allegations of wrongful termination and/or failure of the Company to pay deferred consideration under the relevant acquisition agreements. The range of possible loss for the aforementioned lawsuits and claims, when considered collectively, is from $-0- to approximately $7.6 million. In the opinion of management and based upon the advice of counsel, the Company has meritorious defenses to the lawsuits and claims that should serve to defeat or diminish the Company's potential liability. However, if material adverse determinations on either the lawsuits or claims were to be rendered, such determinations will have a material adverse impact on the results of operations in the period of the respective charges as well as a material adverse impact on the financial position and liquidity of the Company.

In addition, in 1998, two shareholders, who were formerly officers and directors of the Company, filed suit against the Company alleging wrongful termination of their employment, failure to make required severance payments, wrongful conduct by the Company in connection with the grant of stock options, and wrongful conduct by the Company resulting in the non-vestiture of their option grants. The complaint also alleged that the Company wrongfully limited the number of shares of the Company's common stock that could have been sold by the plaintiffs under a Registration Rights Agreement entered into in connection with the underlying acquisition transaction pursuant to which the plaintiffs became shareholders of the Company. The complaint sought damages of approximately $480,000 on the severance pay claim.. The damages alleged on their other claims were unliquidated; claims for punitive damages were also asserted in several counts of the complaint. The most significant compensatory damages claim, under the Registration Rights Agreement, sought the difference between the amount for which plaintiffs could have sold their RCM shares during the 12-month period ended March 11, 1999, but for the alleged wrongful limitation on their sales, and the amount for which the plaintiffs sold their shares during that period and thereafter.

The claim relating to the wrongful termination of the employment of one of the plaintiffs and the claims of both plaintiffs concerning the grant of stock options were resolved in binding arbitration in early 2002. A trial on the remaining claims commenced on December 2, 2002 and a verdict was returned on January 24, 2003. The claims adjudicated at the trial were: (i) the claims by both plaintiffs concerning the alleged wrongful limiting of the number of shares that plaintiffs could sell during the 12-month period ended March 11, 1999, on which a verdict awarding damages against the Company of $7.6 million was returned; (ii) the claim for the alleged wrongful termination of one of the plaintiffs, which was dismissed by the trial judge; (iii) that same plaintiff's claim of entitlement to severance pay of $230,000 under his employment agreement, which was rejected by the jury in a verdict that the plaintiff will likely seek to set aside; and
(iv) the claims by both plaintiffs for the alleged wrongful prevention of stock option vestiture, which were rejected by the jury. The Company's motion to strike all claims for punitive damages was granted. Management believes, based upon the advice of counsel, that there is a substantial likelihood that the jury's verdict on damages will either be vacated entirely or reduced significantly by the court on post-trial motions, which the Court will likely rule upon in March, 2003. The Company further intends to appeal any judgment that eventually may be entered in favor of the plaintiffs.

As a result of the verdict, the Company accrued $8.6 million at December 31, 2002, which includes a $1.0 million estimate for attorney fees and pre-judgment interest.

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, 2002 and 2001 and the related consolidated statements of operations, changes in shareholders' equity, comprehensive loss and cash flows for each of the years in the three year period ended December 31, 2002. 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, 2002 and 2001 and the consolidated results of their operations and their consolidated cash flows for each of the years in the three year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in note 6 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and other Intangible Assets, on January 1, 2002.

We have also audited Schedules I and II of RCM Technologies, Inc. and Subsidiaries as of December 31, 2002 and 2001 and for each of the years in the three year period ended December 31, 2002. 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 11, 2003, except for Note 9
as to which the date is February 26, 2003

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEET
December 31, 2002 and 2001

ASSETS

	2002	2001
Current assets		
Prepaid expenses and other assets	$ 6,509	$ 2,970
Other assets		
Long-term receivables from affiliates	59,519,789	83,337,402
Total assets	$59,526,298	$83,340,372

LIABILITIES AND SHAREHOLDERS' EQUITY

	2002	2001
Current liabilities		
Accounts payable and accrued expenses	$ 280,144	$ 50,572
Shareholders' equity		
Common stock	531,304	528,588
Foreign currency translation adjustment	(584,084)	(484,283)
Additional paid in capital	93,935,938	93,746,569
Accumulated deficit	(34,637,004)	(10,501,074)
Total shareholders' equity	59,246,154	83,289,800
Total liabilities and shareholders' equity	$59,526,298	$83,340,372

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

SCHEDULE I

RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF OPERATIONS
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Operating expenses			
Administrative	$1,753,587	$ 807,699	$ 534,662
Operating loss	(1,753,587)	(807,699)	(534,662)
Management fee income	1,753,587	807,699	534,662
Income before income in subsidiaries			
Shares in loss in subsidiaries	(24,135,930)	(18,755,969)	(21,896,386)
Net loss	($24,135,930)	($18,755,969)	($21,896,386)

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

SCHEDULE I
RCM TECHNOLOGIES, INC. (PARENT COMPANY)
CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF CASH FLOWS
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Cash flows from operating activities:			
Net loss	($24,135,930)	($18,755,969)	($21,896,386)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Share in deficiency in assets of subsidiaries	24,135,930	18,755,969	21,896,386
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(3,539)	59,470	(56,971)
Accounts payable and accrued expenses	229,572	(1,828)	(61,568)
	24,361,963	18,813,611	21,777,847
Net cash provided by (used in) operating activities	226,033	57,642	(118,539)
Cash flows from investing activities:			
Decrease in deposits		5,695	
Decrease (increase) in long-term receivables from subsidiaries	(318,317)	(46,780)	247,605
Net cash provided by (used in) investing activities	(318,317)	(41,085)	247,605
Cash flows from financing activities:			
Employee stock purchase plan	190,556	234,095	
Exercise of stock options	1,529		42,951
Net cash provided by financing activities	192,085	234,095	42,951
Effect of exchange rate changes on cash and cash equivalents	(99,801)	(250,652)	(180,867)
Net increase (decrease) in cash and equivalents			(8,850)
Cash and equivalents at beginning of year			8,850
Cash and equivalents at end of year	$	$	$

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

SCHEDULE II

RCM TECHNOLOGIES, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
Years Ended December 31, 2002, 2001 and 2000

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, 2002					
Allowance for doubtful accounts on trade receivables	$1,795,000	$1,941,000		$2,187,000	$1,549,000
Year Ended December 31, 2001					
Allowance for doubtful accounts on trade receivables	$1,875,000	$989,000		$1,069,000	$1,795,000
Year Ended December 31, 2000					
Allowance for doubtful accounts on trade receivables	$1,014,000	$1,101,000		$240,000	$1,875,000

EXHIBIT INDEX

(10)(k) Amendment And Modification to Amended And Restated Loan and Security Agreement dated December 30, 2002, between RCM Technologies, Inc. and all of its Subsidiaries and Citizens Bank of Pennsylvania , as Administrative Agent and Arranger.

(10)(l) Second Amendment And Modification to Amended And Restated Loan and Security Agreement dated February 26, 2003, between RCM Technologies, Inc. and all of its Subsidiaries and Citizens Bank of Pennsylvania , as Administrative Agent and Arranger.

(11) Computation of Loss Per Share.

(21) Subsidiaries.

(23) Consent of Grant Thornton LLP.

99.1 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of TheSarbanes-Oxley Act Of 2002.

99.2 Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002.

EXHIBIT 11

COMPUTATION OF LOSS PER COMMON SHARE
Years Ended December 31, 2002, 2001 and 2000

	2002	2001	2000
Diluted earnings			
Net loss applicable to common stock	($24,135,930)	($18,755,969)	($21,896,386)
Shares			
Weighted average number of common shares outstanding	10,585,503	10,519,701	10,499,305
Common stock equivalents			
Total	10,585,503	10,519,701	10,499,305
Diluted loss per common share	($2.28)	($1.78)	($2.09)
Basic			
Net loss applicable to common stock	($24,135,930)	($18,755,969)	($21,896,386)
Shares			
Weighted average number of common shares outstanding	10,585,503	10,519,701	10,499,305
Basic loss per common share	($2.28)	($1.78)	($2.09)

EXHIBIT 21

SUBSIDIARIES

Business Support Group of Michigan, Inc. Cataract, Inc.
Programming Alternatives of Minnesota, Inc. RCMT Delaware, Inc.
RCM Technologies (USA), Inc.
Software Analysis & Management, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
RCM Technologies, Inc.

We have issued our report dated February 11, 2003 accompanying the consolidated financial statements and schedules included in the Annual Report of RCM Technologes, Inc. and Subsidiaries on Form 10-K for the year ended December 31, 2002. We hereby consent to the incorporation by reference of said report in the Registration Statements of RCM Technologies, Inc. on Forms S-8, (File No. 33-61306, effective April 21, 1993, File No. 33-80590, effective June 22, 1994, File No. 333-52206, effective December 19, 2000 and File No. 333-52480, effective December 21, 2000.)

/s/ Grant Thornton LLP
Grant Thornton LLP
Philadelphia, Pennsylvania
February 26, 2003

Exhibit 99.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of RCM Technologies, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leon Kopyt, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. section 78m(a)); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Leon Kopyt

Leon Kopyt
Chief Executive Officer
February 26, 2003

Exhibit 99.2 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of RCM Technologies, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanton Remer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. section 78m(a)); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stanton Remer

Stanton Remer
Chief Financial Officer
February 26, 2003

AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED

LOAN AND SECURITY AGREEMENT

by and between

RCM Technologies, Inc. and All of Its Subsidiaries

with

Citizens Bank of Pennsylvania, as Administrative Agent and Arranger

And

Each of the Financial Institutions Now and Hereafter Shown on the Signature Pages Hereof as Lenders

Dated: As of December 30, 2002

AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment") is dated as of December 30, 2002, by RCM TECHNOLOGIES, INC. ("RCM"), and ALL OF ITS SUBSIDIARIES (collectively referred to as "Borrower"), CITIZENS BANK OF PENNSYLVANIA (formerly known as Mellon Bank, N.A.), a Pennsylvania state chartered bank, in its capacity as administrative agent and arranger (the "Agent"), and CITIZENS BANK OF PENNSYLVANIA (formerly known as Mellon Bank, N.A.) ("Citizens"), and SUNTRUST BANK (formerly known as SUNTRUST BANK ATLANTA), in its capacity as documentation agent and lender ("Suntrust") and FLEET NATIONAL BANK in its capacity as syndication agent and lender ("Fleet") (Citizens, Suntrust and Fleet individually each being a "Lender" and collectively referred to as "Lenders").

BACKGROUND

A. Pursuant to the terms of a certain Amended and Restated Loan and Security Agreement dated as of May 31, 2002, between Borrower and Lenders ("Loan Agreement"), Lender made available to Borrower a revolving line of credit in the aggregate amount of $40,000,000.00 (the "Revolving Credit"), and a term loan in the amount of $7,500,000.00 ("Term Loan").

B. The Revolving Credit is evidenced by certain Revolving Credit Notes dated May 31, 2002, from Borrower to Lender in the aggregate amount of $40,000,000.00 ("Revolving Credit Notes").

C. The Term Loan was evidenced by certain Term Notes dated May 31, 2002 from the Borrower to the Lenders in the aggregate amount of $7,500,000.00, ("Term Notes").

D. Borrower has requested that Lender modify certain covenants contained in the Loan Agreement, and Lender has agreed to modify those certain covenants subject to the terms and conditions of this Amendment.

All capitalized terms used herein without further definition shall have the respective meaning set forth in the Loan Agreement and all other Loan Documents.

NOW, THEREFORE, with the foregoing Background incorporated by reference and intending to be legally bound hereby, the parties agree as follows:

1. Loan Agreement. The following amendments and modifications shall be made to the Loan Agreement and shall be effective upon execution hereof:

a. Certain definitions contained in Section 1.1 of the Loan Agreement shall be amended and/or added as follows:

(1) Adjusted Net Income shall be deleted in its entirety and replaced as follows:

Adjusted Net Income -The sum of (i) Net Income, (ii) the net loss (expressed as a positive number), if any, arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses previously recognized under this subparagraph (ii), does not exceed $5,000,000.00 in the aggregate, (iii) the Subsequent Additional Net Restructuring Charge, and (iv) other extraordinary non-cash, non-recurring charges approved by the Majority Lenders, which approval will not be unreasonably withheld. (In no event shall any charge related to goodwill taken by the Borrower after December 31, 2002 be considered as an adjustment to Adjusted Net Income).

(2) EBITDA shall be deleted in its entirety and replaced as follows:

EBITDA -The sum of (i) Net Income before interest, taxes, depreciation and amortization, (ii) Additional Net Restructuring Charge, (iii) the Subsequent Additional Net Restructuring Charge, (iv) the net loss if any (expressed as a positive number) arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses previously recognized under this subparagraph (iv), does not exceed $5,000,000.00 in the aggregate, and (v) other non-cash charges approved by the Majority Lenders, which approval will not be unreasonably withheld.

(In no event shall any charge related to goodwill taken by the Borrower after December 31, 2002 be considered as an adjustment to EBITDA).

(3) Income Tax Benefit shall be deleted in its entirety and replaced as follows:

Income Tax Benefit - The net amount by which the Borrower's Federal and State income tax obligations are reduced as a result of the Borrower deducting all or a portion of (i) the Additional Net Restructuring Charge on its Federal and State income tax returns for its taxable year ended December 31, 2001 and/or (ii) the Subsequent Additional Net Restructuring Charge on its Federal and State Income tax returns for its taxable year ended December 31, 2002, and by giving effect to the net tax effect of any adjustments increasing or decreasing such deduction(s) subsequent to its taxable year ended December 31, 2001.

(4) Minimum Tangible Net Worth shall be deleted in its entirety and replaced as follows:

Minimum Tangible Net Worth - RCM's consolidated Tangible Net Worth shall be (i) at least $4,000,000.00 as of June 30, 2001, plus (ii) seventy-five percent (75%) of quarterly Net Income thereafter (determined without taking the Additional Net Restructuring Charge or Subsequent Additional Net Restructuring Charge into account and with no credit for losses) (the "Net Income Component"), plus (iii) one hundred percent (100%) of the Income Tax Benefit, less (iv) the sum of (A) the Existing Additional Deferred Consideration Payments paid on or after July 1, 2001, plus (B) the New Acquisition Consideration Payments (hereinafter defined) (if any) paid on or after July 1, 2001, plus (C) any net losses (expressed as a positive number), if any, arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses recognized under this subparagraph (C), does not exceed $5,000,000.00 in the aggregate, provided that the reductions pursuant to clauses (A) and (B) of clause (iv) shall not in the aggregate exceed the increase in Minimum Tangible Net Worth arising from the Net Income Component.

(5) Permitted Acquisitions - shall be deleted in its entirety and replaced as follows:

Permitted Acquisitions - An Acquisition which satisfies each of the criteria set forth in Section 2.7 hereof, and for which the Borrower has obtained the written consent of the Majority Lenders.

(6) Subsequent Additional Net Restructuring Charge shall be added to
Section 1.1 as follows:

Subsequent Additional Net Restructuring Charge. A one-time deduction of good-will taken by RCM during the fourth quarter of its Fiscal Year ended December 31, 2002, up to an amount not to exceed $30,000,000.00.

b. Section 2.6 of the Loan Agreement shall be amended by adding the following as Section 2.6(e):

(e) Additional Mandatory Prepayment. In addition to any other payments of principal of the Revolving Credit Loans required to be made by Borrower hereunder, the Borrower shall also be required to make an additional payment of principal of the Revolving Credit Loans by an amount equal to the cash proceeds actually received by Borrower relating to the Income Tax Benefit associated with its recognition of the Additional Net Restructuring Charge. The payment(s) required to be made by Borrower under this Section 2.6(e) shall be applied first to accrued but unpaid interest on the Revolving Credit Loans and then to the principal payments due under the Revolving Credit Loans. Such payment(s) shall be due and payable within five (5) days of RCM's receipt of tax refund(s) arising as a result of its submission of a claim for such refund(s) due to its recognition of the Additional Net Restructuring Charge. Prior to the occurrence of an Event of Default or Unmatured Event of Default, Agent shall be permitted, at its sole option, to the extent any principal payment hereunder is to be applied to the outstanding balance of a LIBOR Based Rate Loan, to permit the Borrower to defer such payment until the end of the applicable LIBOR Interest Period. If the payment pursuant to this Section 2.6(c) is delayed pursuant to the immediately preceding sentence, interest shall continue to accrue on the outstanding principal of the Revolving Credit Loans until such payment is actually made by Borrower to reduce the outstanding principal balance of the Revolving Credit Loans.

c. Section 2.7 of the Loan Agreement shall be deleted in its entirety and replaced as follows:

2.7 Use of Proceeds. The extensions of credit hereunder and the proceeds of the Loans shall be used by the Borrower solely for (i) the financing of Permitted Acquisitions (subject to the conditions set forth below), (ii) to refinance all existing indebtedness owed by the Borrower pursuant to the Original Loan Agreement, and (iii) for working capital and other general corporate purposes.

d. Section 6.14 of the Loan Agreement shall be deleted in its entirety and replaced as follows:

6.14 Acquisitions. All Acquisitions (regardless of whether such Acquisition is funded with the proceeds of any Loan hereunder), must be approved by the Majority Lenders, in their sole discretion. All Acquisitions shall be in the Borrower's same line or similar line of business and show historical and pro forma covenant compliance based on unadjusted historical financial basis. The results of due diligence, including without limitation a review of the acquisition documents, shall be to the satisfaction of the Majority Lenders in their sole discretion. Notwithstanding anything herein to the contrary, any Acquisition shall have been approved by the Board of Directors or like governing body of the acquiree.

2. Permitted Asset or Stock Sale. The Lenders' hereby acknowledge and confirm that pursuant to the terms of that certain Asset Purchase Agreement dated August 31,2002 between RCM and Premier Staffing Services of Rutherford, LLC, RCM sold assets related to its Intertec division located in Montclair, New Jersey, and that such sale constituted a "Permitted Asset or Stock Sale" under the terms of the Loan Agreement..

3. Representations and Warranties. Borrower warrants and represents to Lenders that:

a. Prior Representations. By execution of this Amendment, Borrower reconfirms that all warranties and representations made to Lender under the Loan Agreement and the other Loan Documents are true and correct in all material respects as of the date hereof, all of which shall be deemed continuing until all of the Obligations to Lenders are paid and satisfied in full. Lenders acknowledge that Borrower has notified Lenders of various lawsuits and claims referred in Note 8 to Borrower's financial statements included in Borrower's Form 10-Q for the period ending September 30, 2002. In the opinion of management and based upon the advice of counsel, the Borrower has meritorious defenses to the lawsuits and claims. However, if material adverse determinations on either the lawsuits or claims were to be rendered, such determinations will have a material adverse impact on the results of operations in the period of the respective charges as well as a material adverse impact on the financial position and liquidity of the Borrower.

b. Authorization. The execution and delivery by Borrower of this Amendment and the performance by Borrower of the transactions herein contemplated (i) are and will be within its powers and (ii) are not and will not be in contravention of any order of court or other agency of government, of law or of any indenture, agreement or undertaking to which Borrower is a party or by which the property of Borrower is bound, or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or undertaking, or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of Borrower.

c. Valid, Binding and Enforceable. This Amendment and any other instrument, document or agreement executed and delivered in connection herewith, will be valid, binding and enforceable in accordance with their respective terms subject to bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general equitable principles.

d. Costs. Upon execution hereof, Borrower shall pay all costs (including attorneys' fees of Lenders) attendant to this Amendment.

4. Ratification of Loan Documents. This Amendment is hereby incorporated into and made a part of the Loan Agreement and all other Loan Documents respectively, the terms and provisions of which, except to the extent modified by this Amendment are each ratified and confirmed and continue unchanged in full force and effect. Borrower acknowledges and agrees that, to its knowledge, it has no defenses, set-offs, counterclaims or deductions of any nature with respect to its obligations to Lender. Any reference to the Loan Agreement and all other Loan Documents respectively in this or any other instrument, document or agreement related thereto or executed in connection therewith shall mean the Loan Agreement and all other Loan Documents respectively as amended by this Amendment. The Loan Agreement and this Amendment shall be construed as integrated and complementary of each other, and augmenting and not restricting Lender's powers, rights, remedies and security. If, after applying the foregoing, an inconsistency still exists, the provisions of this Amendment shall control.

5. Effectiveness Conditions. This Amendment shall become effective upon the full execution of this Amendment and the following:

a. Payment of the Lender's legal fees attendant to this Amendment;

b. A Certificate of the Secretary or Assistant Secretary of the Borrower, dated the date hereof, including (i) resolutions duly adopted by the Borrower authorizing this Amendment, and (ii) evidence of the incumbency and signature of the officers executing the Amendment on the Borrower's behalf.

c. Any other documents reasonably required by Agent or Lenders.

6. Governing Law. This Amendment and all instruments, documents and agreements and the rights and obligations of the parties hereto and thereto shall be governed by and interpreted in accordance with the substantive laws of the Commonwealth of Pennsylvania.

7. Severability. The invalidity or unenforceability of any provision of this Amendment shall not affect the validity or enforceability of the remaining provisions.

8. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

9. Modification. This Amendment may not be modified, amended or terminated except by an agreement in writing executed by the parties hereto.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement the day and year first above written.

BORROWER: RCM TECHNOLOGIES, INC.

By:______________________________________

Name:______________________________________

Title:______________________________________

CATARACT, INC.

By:______________________________________

Name:______________________________________

Title:______________________________________

RCM TECHNOLOGIES (USA), INC.

By:______________________________________

Name:______________________________________

Title:______________________________________

PROGRAMMING ALTERNATIVES
OF MINNESOTA, INC.

By:______________________________________

Name:______________________________________

Title:______________________________________

SOFTWARE ANALYSIS & MANAGEMENT, INC.

By:______________________________________

Name:______________________________________

Title:______________________________________

RCMT DELAWARE, INC.

By:______________________________________

Name:____________________________________

Title:_____________________________________

RCM TECHNOLOGIES CANADA CORP.

By:______________________________________

Name:____________________________________

Title:_____________________________________

BUSINESS SUPPORT GROUP OF MICHIGAN, INC.

By:______________________________________

Name:____________________________________

Title:_____________________________________

PINNACLE CONSULTING, INC.

By:______________________________________

Name:____________________________________

Title:_____________________________________

AGENT: CITIZENS BANK OF PENNSYLVANIA, as Administrative Agent and Arranger

By:______________________________________

Name:____________________________________

Title:_____________________________________

LENDERS: CITIZENS BANK OF PENNSYLVANIA, as Lender

By:______________________________________

Name:____________________________________

Title:_____________________________________

SUNTRUST BANK, ATLANTA, as Documentation Agent and Lender

By:______________________________________

Name:____________________________________

Title:_____________________________________

FLEET NATIONAL BANK, as Syndication Agent and Lender

By:______________________________________

Name:___________________________________

Title:____________________________________

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AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED

LOAN AND SECURITY AGREEMENT

by and between

RCM Technologies, Inc. and All of Its Subsidiaries

with

Citizens Bank of Pennsylvania, as Administrative Agent and Arranger

And

Each of the Financial Institutions Now and Hereafter Shown on the Signature Pages Hereof as Lenders

Dated: As of December 30, 2002

AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This AMENDMENT AND MODIFICATION TO AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT ("Amendment") is dated as of December 30, 2002, by RCM TECHNOLOGIES, INC. ("RCM"), and ALL OF ITS SUBSIDIARIES (collectively referred to as "Borrower"), CITIZENS BANK OF PENNSYLVANIA (formerly known as Mellon Bank, N.A.), a Pennsylvania state chartered bank, in its capacity as administrative agent and arranger (the "Agent"), and CITIZENS BANK OF PENNSYLVANIA (formerly known as Mellon Bank, N.A.) ("Citizens"), and SUNTRUST BANK (formerly known as SUNTRUST BANK ATLANTA), in its capacity as documentation agent and lender ("Suntrust") and FLEET NATIONAL BANK in its capacity as syndication agent and lender ("Fleet") (Citizens, Suntrust and Fleet individually each being a "Lender" and collectively referred to as "Lenders").

BACKGROUND

A. Pursuant to the terms of a certain Amended and Restated Loan and Security Agreement dated as of May 31, 2002, between Borrower and Lenders ("Loan Agreement"), Lender made available to Borrower a revolving line of credit in the aggregate amount of $40,000,000.00 (the "Revolving Credit"), and a term loan in the amount of $7,500,000.00 ("Term Loan").

B. The Revolving Credit is evidenced by certain Revolving Credit Notes dated May 31, 2002, from Borrower to Lender in the aggregate amount of $40,000,000.00 ("Revolving Credit Notes").

C. The Term Loan was evidenced by certain Term Notes dated May 31, 2002 from the Borrower to the Lenders in the aggregate amount of $7,500,000.00, ("Term Notes").

D. Borrower has requested that Lender modify certain covenants contained in the Loan Agreement, and Lender has agreed to modify those certain covenants subject to the terms and conditions of this Amendment.

All capitalized terms used herein without further definition shall have the respective meaning set forth in the Loan Agreement and all other Loan Documents.

NOW, THEREFORE, with the foregoing Background incorporated by reference and intending to be legally bound hereby, the parties agree as follows:

1. Loan Agreement. The following amendments and modifications shall be made to the Loan Agreement and shall be effective upon execution hereof:

a. Certain definitions contained in Section 1.1 of the Loan Agreement shall be amended and/or added as follows:

(1) Adjusted Net Income shall be deleted in its entirety and replaced as follows:

Adjusted Net Income -The sum of (i) Net Income, (ii) the net loss (expressed as a positive number), if any, arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses previously recognized under this subparagraph (ii), does not exceed $5,000,000.00 in the aggregate, (iii) the Subsequent Additional Net Restructuring Charge, and (iv) other extraordinary non-cash, non-recurring charges approved by the Majority Lenders, which approval will not be unreasonably withheld. (In no event shall any charge related to goodwill taken by the Borrower after December 31, 2002 be considered as an adjustment to Adjusted Net Income).

(2) EBITDA shall be deleted in its entirety and replaced as follows:

EBITDA -The sum of (i) Net Income before interest, taxes, depreciation and amortization, (ii) Additional Net Restructuring Charge, (iii) the Subsequent Additional Net Restructuring Charge, (iv) the net loss if any (expressed as a positive number) arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses previously recognized under this subparagraph (iv), does not exceed $5,000,000.00 in the aggregate, and (v) other non-cash charges approved by the Majority Lenders, which approval will not be unreasonably withheld.

(In no event shall any charge related to goodwill taken by the Borrower after December 31, 2002 be considered as an adjustment to EBITDA).

(3) Income Tax Benefit shall be deleted in its entirety and replaced as follows:

Income Tax Benefit - The net amount by which the Borrower's Federal and State income tax obligations are reduced as a result of the Borrower deducting all or a portion of (i) the Additional Net Restructuring Charge on its Federal and State income tax returns for its taxable year ended December 31, 2001 and/or (ii) the Subsequent Additional Net Restructuring Charge on its Federal and State Income tax returns for its taxable year ended December 31, 2002, and by giving effect to the net tax effect of any adjustments increasing or decreasing such deduction(s) subsequent to its taxable year ended December 31, 2001.

(4) Minimum Tangible Net Worth shall be deleted in its entirety and replaced as follows:

Minimum Tangible Net Worth - RCM's consolidated Tangible Net Worth shall be (i) at least $4,000,000.00 as of June 30, 2001, plus (ii) seventy-five percent (75%) of quarterly Net Income thereafter (determined without taking the Additional Net Restructuring Charge or Subsequent Additional Net Restructuring Charge into account and with no credit for losses) (the "Net Income Component"), plus (iii) one hundred percent (100%) of the Income Tax Benefit, less (iv) the sum of (A) the Existing Additional Deferred Consideration Payments paid on or after July 1, 2001, plus (B) the New Acquisition Consideration Payments (hereinafter defined) (if any) paid on or after July 1, 2001, plus (C) any net losses (expressed as a positive number), if any, arising solely from Permitted Asset or Stock Sales up to an amount, which when added to other net losses recognized under this subparagraph (C), does not exceed $5,000,000.00 in the aggregate, provided that the reductions pursuant to clauses (A) and (B) of clause (iv) shall not in the aggregate exceed the increase in Minimum Tangible Net Worth arising from the Net Income Component.

(5) Permitted Acquisitions - shall be deleted in its entirety and replaced as follows:

Permitted Acquisitions - An Acquisition which satisfies each of the criteria set forth in Section 2.7 hereof, and for which the Borrower has obtained the written consent of the Majority Lenders.

(6) Subsequent Additional Net Restructuring Charge shall be added to
Section 1.1 as follows:

Subsequent Additional Net Restructuring Charge. A one-time deduction of good-will taken by RCM during the fourth quarter of its Fiscal Year ended December 31, 2002, up to an amount not to exceed $30,000,000.00.

b. Section 2.6 of the Loan Agreement shall be amended by adding the following as Section 2.6(e):

(e) Additional Mandatory Prepayment. In addition to any other payments of principal of the Revolving Credit Loans required to be made by Borrower hereunder, the Borrower shall also be required to make an additional payment of principal of the Revolving Credit Loans by an amount equal to the cash proceeds actually received by Borrower relating to the Income Tax Benefit associated with its recognition of the Additional Net Restructuring Charge. The payment(s) required to be made by Borrower under this Section 2.6(e) shall be applied first to accrued but unpaid interest on the Revolving Credit Loans and then to the principal payments due under the Revolving Credit Loans. Such payment(s) shall be due and payable within five (5) days of RCM's receipt of tax refund(s) arising as a result of its submission of a claim for such refund(s) due to its recognition of the Additional Net Restructuring Charge. Prior to the occurrence of an Event of Default or Unmatured Event of Default, Agent shall be permitted, at its sole option, to the extent any principal payment hereunder is to be applied to the outstanding balance of a LIBOR Based Rate Loan, to permit the Borrower to defer such payment until the end of the applicable LIBOR Interest Period. If the payment pursuant to this Section 2.6(c) is delayed pursuant to the immediately preceding sentence, interest shall continue to accrue on the outstanding principal of the Revolving Credit Loans until such payment is actually made by Borrower to reduce the outstanding principal balance of the Revolving Credit Loans.

c. Section 2.7 of the Loan Agreement shall be deleted in its entirety and replaced as follows:

2.7 Use of Proceeds. The extensions of credit hereunder and the proceeds of the Loans shall be used by the Borrower solely for (i) the financing of Permitted Acquisitions (subject to the conditions set forth below), (ii) to refinance all existing indebtedness owed by the Borrower pursuant to the Original Loan Agreement, and (iii) for working capital and other general corporate purposes.

d. Section 6.14 of the Loan Agreement shall be deleted in its entirety and replaced as follows:

6.14 Acquisitions. All Acquisitions (regardless of whether such Acquisition is funded with the proceeds of any Loan hereunder), must be approved by the Majority Lenders, in their sole discretion. All Acquisitions shall be in the Borrower's same line or similar line of business and show historical and pro forma covenant compliance based on unadjusted historical financial basis. The results of due diligence, including without limitation a review of the acquisition documents, shall be to the satisfaction of the Majority Lenders in their sole discretion. Notwithstanding anything herein to the contrary, any Acquisition shall have been approved by the Board of Directors or like governing body of the acquiree.

2. Permitted Asset or Stock Sale. The Lenders' hereby acknowledge and confirm that pursuant to the terms of that certain Asset Purchase Agreement dated August 31,2002 between RCM and Premier Staffing Services of Rutherford, LLC, RCM sold assets related to its Intertec division located in Montclair, New Jersey, and that such sale constituted a "Permitted Asset or Stock Sale" under the terms of the Loan Agreement..

3. Representations and Warranties. Borrower warrants and represents to Lenders that:

a. Prior Representations. By execution of this Amendment, Borrower reconfirms that all warranties and representations made to Lender under the Loan Agreement and the other Loan Documents are true and correct in all material respects as of the date hereof, all of which shall be deemed continuing until all of the Obligations to Lenders are paid and satisfied in full. Lenders acknowledge that Borrower has notified Lenders of various lawsuits and claims referred in Note 8 to Borrower's financial statements included in Borrower's Form 10-Q for the period ending September 30, 2002. In the opinion of management and based upon the advice of counsel, the Borrower has meritorious defenses to the lawsuits and claims. However, if material adverse determinations on either the lawsuits or claims were to be rendered, such determinations will have a material adverse impact on the results of operations in the period of the respective charges as well as a material adverse impact on the financial position and liquidity of the Borrower.

b. Authorization. The execution and delivery by Borrower of this Amendment and the performance by Borrower of the transactions herein contemplated (i) are and will be within its powers and (ii) are not and will not be in contravention of any order of court or other agency of government, of law or of any indenture, agreement or undertaking to which Borrower is a party or by which the property of Borrower is bound, or be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or undertaking, or result in the imposition of any lien, charge or encumbrance of any nature on any of the properties of Borrower.

c. Valid, Binding and Enforceable. This Amendment and any other instrument, document or agreement executed and delivered in connection herewith, will be valid, binding and enforceable in accordance with their respective terms subject to bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and general equitable principles.

d. Costs. Upon execution hereof, Borrower shall pay all costs (including attorneys' fees of Lenders) attendant to this Amendment.

4. Ratification of Loan Documents. This Amendment is hereby incorporated into and made a part of the Loan Agreement and all other Loan Documents respectively, the terms and provisions of which, except to the extent modified by this Amendment are each ratified and confirmed and continue unchanged in full force and effect. Borrower acknowledges and agrees that, to its knowledge, it has no defenses, set-offs, counterclaims or deductions of any nature with respect to its obligations to Lender. Any reference to the Loan Agreement and all other Loan Documents respectively in this or any other instrument, document or agreement related thereto or executed in connection therewith shall mean the Loan Agreement and all other Loan Documents respectively as amended by this Amendment. The Loan Agreement and this Amendment shall be construed as integrated and complementary of each other, and augmenting and not restricting Lender's powers, rights, remedies and security. If, after applying the foregoing, an inconsistency still exists, the provisions of this Amendment shall control.

5. Effectiveness Conditions. This Amendment shall become effective upon the full execution of this Amendment and the following:

a. Payment of the Lender's legal fees attendant to this Amendment;

b. A Certificate of the Secretary or Assistant Secretary of the Borrower, dated the date hereof, including (i) resolutions duly adopted by the Borrower authorizing this Amendment, and (ii) evidence of the incumbency and signature of the officers executing the Amendment on the Borrower's behalf.

c. Any other documents reasonably required by Agent or Lenders.

6. Governing Law. This Amendment and all instruments, documents and agreements and the rights and obligations of the parties hereto and thereto shall be governed by and interpreted in accordance with the substantive laws of the Commonwealth of Pennsylvania.

7. Severability. The invalidity or unenforceability of any provision of this Amendment shall not affect the validity or enforceability of the remaining provisions.

8. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

9. Modification. This Amendment may not be modified, amended or terminated except by an agreement in writing executed by the parties hereto.

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement the day and year first above written.

BORROWER:

RCM TECHNOLOGIES, INC.

By:___________________________

Name:_________________________

Title:________________________

CATARACT, INC.

By:___________________________

Name:_________________________

Title:________________________

RCM TECHNOLOGIES (USA), INC.

By:___________________________

Name:_________________________

Title:________________________

PROGRAMMING ALTERNATIVES OF MINNESOTA, INC.

By:___________________________

Name:_________________________

Title:________________________

SOFTWARE ANALYSIS & MANAGEMENT, INC.

By:___________________________

Name:_________________________

Title:________________________

RCMT DELAWARE, INC.

By:__________________________

Name:________________________

Title:_______________________

RCM TECHNOLOGIES CANADA CORP.

By:__________________________

Name:________________________

Title:_______________________

BUSINESS SUPPORT GROUP OF MICHIGAN, INC.

By:__________________________

Name:________________________

Title:_______________________

PINNACLE CONSULTING, INC.

By:__________________________

Name:________________________

Title:_______________________

AGENT:

CITIZENS BANK OF PENNSYLVANIA, as Administrative Agent and Arranger

By:_________________________

Name:_______________________

Title:______________________

LENDERS:

CITIZENS BANK OF PENNSYLVANIA, as Lender

By:_________________________

Name:_______________________

Title:______________________

SUNTRUST BANK, ATLANTA, as Documentation Agent and Lender

By:_________________________

Name:_______________________

Title:______________________

FLEET NATIONAL BANK, as Syndication Agent and Lender

By:_________________________

Name:________________________

Title:_______________________

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of RCM Technologies, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leon Kopyt, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. section 78m(a)); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Leon Kopyt

Leon Kopyt
Chief Executive Officer
February 26, 2003

Exhibit 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of RCM Technologies, Inc. (the "Company") for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanton Remer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. section 78m(a)); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stanton Remer

Stanton Remer
Chief Financial Officer
February 26, 2003