UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 29, 2018

☐ 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: 001-09232

VOLT INFORMATION SCIENCES, INC.

(Exact name of registrant as specified in its charter)

New York	**13-5658129**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1133 Avenue of Americas, New York, New York	**10036**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code:
(212) 704-2400

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of June 1, 2018, there were 21,035,620 shares of common stock outstanding.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended		Six Months Ended	
	April 29, 2018	**April 30, 2017**	**April 29, 2018**	**April 30, 2017**
NET REVENUE	$ 263,219	$ 303,005	$ 516,557	$ 616,029
Cost of services	225,918	255,886	443,247	522,020
GROSS MARGIN	**37,301**	**47,119**	**73,310**	**94,009**
EXPENSES				
Selling, administrative and other operating costs	42,916	51,171	89,854	100,061
Restructuring and severance costs	104	199	622	823
Impairment charge	155	290	155	290
Gain from divestitures	—	(3,938)	—	(3,938)
TOTAL EXPENSES	**43,175**	**47,722**	**90,631**	**97,236**
OPERATING LOSS	**(5,874)**	**(603)**	**(17,321)**	**(3,227)**
OTHER INCOME (EXPENSE), NET				
Interest income (expense), net	(631)	(891)	(1,413)	(1,749)
Foreign exchange gain (loss), net	(497)	184	206	311
Other income (expense), net	(55)	(311)	(583)	(910)
TOTAL OTHER INCOME (EXPENSE), NET	**(1,183)**	**(1,018)**	**(1,790)**	**(2,348)**
LOSS BEFORE INCOME TAXES	**(7,057)**	**(1,621)**	**(19,111)**	**(5,575)**
Income tax provision (benefit)	630	(767)	(730)	(144)
NET LOSS	**$ (7,687)**	**$ (854)**	**$ (18,381)**	**$ (5,431)**
PER SHARE DATA:				
Basic:				
Net loss	$ (0.37)	$ (0.04)	$ (0.87)	$ (0.26)
Weighted average number of shares	21,032	20,921	21,030	20,919
Diluted:				
Net loss	$ (0.37)	$ (0.04)	$ (0.87)	$ (0.26)
Weighted average number of shares	21,032	20,921	21,030	20,919

See accompanying Notes to Condensed Consolidated Financial Statements.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss

(In thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	April 29, 2018	**April 30, 2017**	**April 29, 2018**	**April 30, 2017**
NET LOSS	**$ (7,687)**	**$ (854)**	**$ (18,381)**	**$ (5,431)**
Other comprehensive loss:				
Foreign currency translation adjustments, net of taxes of $0 and $0, respectively	(947)	570	457	1,097
COMPREHENSIVE LOSS	**$ (8,634)**	**$ (284)**	**$ (17,924)**	**$ (4,334)**

See accompanying Notes to Condensed Consolidated Financial Statements.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)

	April 29, 2018 (unaudited)	October 29, 2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 34,177	$ 37,077
Restricted cash and short-term investments	20,455	20,544
Trade accounts receivable, net of allowances of $773 and $1,249, respectively	166,201	173,818
Recoverable income taxes	53	1,643
Other current assets	6,730	11,755
TOTAL CURRENT ASSETS	**227,616**	**244,837**
Other assets, excluding current portion	11,032	10,851
Property, equipment and software, net	26,349	29,121
TOTAL ASSETS	**$ 264,997**	**$ 284,809**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accrued compensation	$ 23,134	$ 24,504
Accounts payable	40,118	36,895
Accrued taxes other than income taxes	21,995	20,467
Accrued insurance and other	27,098	30,282
Short-term borrowings	—	50,000
Income taxes payable	1,154	808
TOTAL CURRENT LIABILITIES	**113,499**	**162,956**
Accrued insurance and other, excluding current portion	10,727	10,828
Deferred gain on sale of real estate, excluding current portion	23,189	24,162
Income taxes payable, excluding current portion	615	1,663
Deferred income taxes	1,207	1,206
Long-term debt, excluding current portion, net	48,758	—
TOTAL LIABILITIES	**197,995**	**200,815**
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $1.00; Authorized - 500,000 shares; Issued - none	—	—
Common stock, par value $0.10; Authorized - 120,000,000 shares; Issued - 23,738,003 shares; Outstanding - 21,035,503 and 21,026,253 shares, respectively	2,374	2,374
Paid-in capital	79,547	78,645
Retained earnings	27,303	45,843
Accumulated other comprehensive loss	(4,804)	(5,261)
Treasury stock, at cost; 2,702,500 and 2,711,750 shares, respectively	(37,418)	(37,607)
TOTAL STOCKHOLDERS' EQUITY	**67,002**	**83,994**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 264,997**	**$ 284,809**

See accompanying Notes to Condensed Consolidated Financial Statements.

VOLT INFORMATION SCIENCES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Six Months Ended	
	April 29, 2018	**April 30, 2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (18,381)	$ (5,431)
Adjustment to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	3,726	3,380
Provision (release) of doubtful accounts and sales allowances	(220)	54
Unrealized foreign currency exchange loss (gain)	386	(711)
Impairment charges	155	290
Amortization of gain on sale leaseback of property	(972)	(972)
Loss on dispositions of property, equipment and software	—	12
Gain from divestitures	—	(3,938)
Share-based compensation expense	992	1,242
Change in operating assets and liabilities:		
Trade accounts receivable	7,855	3,466
Restricted cash	(202)	(3,695)
Other assets	4,980	2,673
Net assets held for sale	—	158
Accounts payable	3,227	6,666
Accrued expenses and other liabilities	(2,159)	(3,812)
Income taxes	889	12,417
Net cash provided by operating activities	**276**	**11,799**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	460	563
Purchases of investments	(297)	(192)
Proceeds from divestitures	—	15,224
Proceeds from sale of property, equipment, and software	1	221
Purchases of property, equipment, and software	(1,298)	(6,385)
Net cash provided by (used in) investing activities	**(1,134)**	**9,431**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	(109,696)	(27,050)
Draw-down on borrowings	109,696	20,000
Debt issuance costs	(1,411)	(726)
Proceeds from exercise of options	—	2
Withholding tax payment on vesting of restricted stock awards	(60)	(9)
Net cash used in financing activities	**(1,471)**	**(7,783)**
Effect of exchange rate changes on cash and cash equivalents	**(571)**	**910**
Net increase (decrease) in cash and cash equivalents	**(2,900)**	**14,357**
Cash and cash equivalents, beginning of period	37,077	6,386
Cash and cash equivalents, end of period	**$ 34,177**	**$ 20,743**
Cash paid during the period:		
Interest	$ 1,482	$ 1,838
Income taxes	$ 1,132	$ 1,111

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTE 1: Basis of Presentation

Basis of Presentation

The accompanying interim condensed consolidated financial statements of Volt Information Sciences, Inc. ("Volt" or the "Company") have been prepared in conformity with generally accepted accounting principles, consistent in all material respects with those applied in the Annual Report on Form 10-K for the year ended October 29, 2017. The Company makes estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates and changes in estimates are reflected in the period in which they become known. Accounting for certain expenses, including income taxes, are based on full year assumptions, and the financial statements reflect all normal adjustments that, in the opinion of management, are necessary for fair presentation of the interim periods presented. The interim information is unaudited and is prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"), which provides for omission of certain information and footnote disclosures. This interim financial information should be read in conjunction with the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended October 29, 2017.

Certain reclassifications have been made to the prior year financial statements in order to conform to the current year's presentation.

NOTE 2: Recently Issued Accounting Pronouncements

New Accounting Standards Not Yet Adopted by the Company

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-09, *Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting*. This ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting. An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The amendments are effective for annual periods beginning after December 15, 2017, which for the Company will be the first quarter of fiscal 2019. The Company does not anticipate a significant impact upon adoption based on the historical and current trend of the Company's modifications for share-based awards but the impact could be affected by the types of modifications, if any, at that time.

In February 2017, the FASB issued ASU 2017-05, *Other Income - Gains and Losses from the Derecognition of Non-financial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Non-financial Assets.* This ASU clarifies the scope and application of Subtopic 610-20 on the sale or transfer of non-financial assets and in substance non-financial assets to non-customers, including partial sales. The amendments are effective for annual reporting periods beginning after December 15, 2017, which for the Company will be the first quarter of fiscal 2019. The Company does not anticipate a significant impact upon adoption.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments: A Consensus of the FASB Emerging Issues Task Force*. The amendments provide guidance on eight specific cash flow classification issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, corporate and bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. The amendments are effective for fiscal years beginning after December 15, 2017, which for the Company will be the first quarter of fiscal 2019. The Company does not anticipate a significant impact upon adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU provides guidance for recognizing credit losses on financial instruments based on an estimate of current expected credit losses model. The amendments are effective for fiscal years beginning after December 15, 2019, which for the Company will be the first quarter of fiscal 2021. Although the impact upon adoption will depend on the financial instruments held by the Company at that time, the Company does not anticipate a significant impact on its consolidated financial statements based on the instruments currently held and its historical trend of bad debt expense relating to trade accounts receivable.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires that lessees recognize assets and liabilities for leases with lease terms greater than twelve months in the statement of financial position and also requires improved disclosures to help users of financial statements better understand the amount, timing and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2018, which for the Company will be the first quarter of fiscal 2020. The Company has preliminarily evaluated the impact of our pending adoption of ASU 2016-02 on our consolidated financial statements on a modified retrospective basis, and currently expects that most of our operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon our adoption, which will increase the Company's total assets and total liabilities that the Company reports relative to such amounts prior to adoption.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The FASB issued subsequent amendments to improve and clarify the implementation guidance of Topic 606. This standard is effective for annual reporting periods beginning after December 15, 2017, which for the Company will be the first quarter of fiscal 2019. As we continue to perform our assessment, the Company still does not anticipate that the new guidance will have a material impact on our revenue recognition policies, practices or systems. We plan to use the modified retrospective method upon adoption and will evaluate any active contracts as of the adoption date to determine whether a cumulative adjustment is necessary. The adjustment would primarily relate to deferred revenue from contracts pending execution, if any. The guidance also requires additional quantitative and qualitative disclosures. As the Company continues to make progress in its evaluation of the impacts of our pending adoption of Topic 606, our preliminary assessments are subject to change.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on the Company's consolidated financial statements and related disclosures.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The Company adopted this ASU in the first quarter of fiscal 2018. Upon adoption, the excess tax benefits and deficiencies are recognized as income tax expense or benefit in the income statement in the reporting period incurred. The ASU transition guidance requires that this election be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, net of any valuation allowance required on the deferred tax assets. Because the Company has provided a full valuation allowance against its net deferred tax assets, this adoption has no impact to the opening balance of total stockholder's equity. The Company has elected to present the changes for excess tax benefits in the statement of cash flows prospectively and to account for forfeitures as they occur. There was no impact to the change in presentation in the statement of cash flows related to statutory tax withholding requirements since the Company has historically classified the cash paid for tax withholding as a financing activity.

All other ASUs that became effective for Volt in the first half of fiscal 2018 were not applicable to the Company at this time and therefore did not have any impact during the period.

NOTE 3: Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss for the three and six months ended April 29, 2018 were (in thousands):

	Three Months Ended	Six Months Ended
	April 29, 2018	
	Foreign Currency Translation	
Accumulated other comprehensive loss at the beginning of the period	$ (3,857)	$ (5,261)
Other comprehensive income (loss)	(947)	457
Accumulated other comprehensive loss at April 29, 2018	**$ (4,804)**	**$ (4,804)**

Reclassifications from accumulated other comprehensive loss for the three and six months ended April 29, 2018 and April 30, 2017 were (in thousands):

	Three Months Ended		Six Months Ended	
	April 29, 2018	April 30, 2017	April 29, 2018	April 30, 2017
Foreign currency translation				
Sale of foreign subsidiaries	$ —	$ (612)	$ —	$ (612)

Details about Accumulated Other Comprehensive Loss Components	Fiscal Year	Amount Reclassified	Affected Line Item in the Statement Where Net Loss is Presented
Foreign currency translation			
Sale of foreign subsidiaries	2017	$ (612)	Foreign exchange gain (loss), net

NOTE 4: Restricted Cash and Short-Term Investments

Restricted cash primarily includes amounts related to requirements under certain contracts with managed service program customers for whom the Company manages the customers' contingent staffing requirements, including processing of associate vendor billings into single, combined customer billings and distribution of payments to associate vendors on behalf of customers, as well as minimum cash deposits required to be maintained as collateral. Distribution of payments to associate vendors are generally made shortly after receipt of payment from customers, with undistributed amounts included in restricted cash and accounts payable between receipt and distribution of these amounts. Changes in restricted cash collateral are classified as an operating activity, as this cash is directly related to the operations of this business. At April 29, 2018 and October 29, 2017, restricted cash included $15.4 million and $15.1 million, respectively, restricted for payment to associate vendors and $1.9 million and $1.9 million, respectively, restricted for other collateral accounts.

At April 29, 2018 and October 29, 2017, short-term investments were $3.2 million and $3.5 million, respectively. These short-term investments consisted primarily of the fair value of deferred compensation investments corresponding to employees' selections, primarily in mutual funds, based on quoted prices in active markets.

NOTE 5: Income Taxes

The income tax provision reflects the geographic mix of earnings in various federal, state and foreign tax jurisdictions and their applicable rates resulting in a composite effective tax rate. The Company's cumulative results for substantially all United States and certain non-United States jurisdictions for the most recent three-year period is a loss. Accordingly, a valuation allowance has been established for substantially all loss carryforwards and other net deferred tax assets for these jurisdictions, resulting in an effective tax rate that is significantly different than the statutory rate.

The Company adjusts its effective tax rate for each quarter to be consistent with the estimated annual effective tax rate, consistent with Accounting Standards Codification ("ASC") 270, *Interim Reporting*, and ASC 740-270, *Income Taxes – Intra Period Tax Allocation*. Jurisdictions with a projected loss for the full year where no tax benefit can be recognized are excluded from the calculation of the estimated annual effective tax rate. The Company's future effective tax rates could be affected by earnings being different than anticipated in countries with differing statutory rates, increases in recorded valuation allowances of tax assets, or changes in tax laws.

The Company's provision (benefit) for income taxes primarily includes foreign jurisdictions and state taxes. In the second quarter of fiscal 2018 and fiscal 2017, income taxes were a provision of $0.6 million and a benefit of $0.8 million, respectively. For the six months ended April 29, 2018 and April 30, 2017, income taxes were a benefit of $0.7 million and $0.1 million, respectively. The income tax benefit in the six months ended April 29, 2018 and April 30, 2017 included a reversal of reserves on uncertain tax provisions of $1.1 million and $1.3 million, respectively. The Company's quarterly provision (benefit) for income taxes is measured using an estimated annual effective tax rate, adjusted for discrete items that occur within the periods presented.

On December 22, 2017, the U.S. President signed the Tax Cuts and Jobs Act ("Tax Act") into law. The Tax Act includes a number of provisions, including the lowering of the U.S. corporate tax rate from 35.0% to 21.0%, and the establishment of a territorial-style system for taxing foreign-source income of domestic multinational corporations.

The Tax Act reduces the U.S. statutory tax rate from 35.0% to 21.0% effective January 1, 2018. U.S. tax law required that taxpayers with a fiscal year that begins before and ends after the effective date of a rate change calculate a blended tax rate based on the pro-rata number of days in the fiscal year before and after the effective date. As a result, for the fiscal year ending October 28, 2018, the Company's statutory income tax rate will be approximately 23.4%.

The SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the Tax Act.

The Company does not anticipate any material impact on recorded deferred tax balances as the remeasurement of our U.S. net deferred tax assets will be offset by a corresponding change in valuation allowance. In connection with our continued analysis of the impact of the Tax Act, the Company provisionally increased its net deferred tax assets and corresponding valuation allowance by approximately $0.3 million for the three months ended April 29, 2018 and reduced its net deferred tax assets and corresponding valuation allowance by $25.4 million for the six months ended April 29, 2018.

The Tax Act also imposes a transition tax on the untaxed foreign earnings of foreign subsidiaries of U.S. companies by deeming those earnings to be repatriated. The Company is currently evaluating the effect of the Transition Tax on our non-U.S. earnings. Foreign earnings held in the form of cash and cash equivalents are taxed at a 15.5% rate and the remaining earnings are taxed at an 8.0% rate. In calculating the transition tax, the Company must calculate the cumulative earnings and profits of each of the non-U.S. subsidiaries back to 1987. The Company expects to complete this calculation and record any tax due by the end of fiscal 2018. Based on a preliminary analysis, and as a result of the Company's significant tax attributes, the Company does not expect to have any amount due related to the transition tax.

The Company will continue to analyze the effects of the Tax Act on its financial statements and operations. Any additional impacts of the Tax Act will be recorded as they are identified during the measurement period in accordance with SAB 118.

NOTE 6: Debt

The Company's primary sources of liquidity are cash flows from operations and proceeds from our financing arrangements. Both operating cash flows and borrowing capacity under the Company's financing arrangements are directly related to the levels of accounts receivable generated by its businesses. The Company's operating cash flows consist primarily of collections of customer receivables offset by payments for payroll and related items for the Company's contingent staff and in-house employees; federal, foreign, state and local taxes; and trade payables. The Company's level of borrowing capacity under its financing arrangements increases or decreases in tandem with any change in accounts receivable based on revenue fluctuations.

The Company manages its cash flow and related liquidity on a global basis. The weekly payroll payments inclusive of employment-related taxes and payments to vendors are approximately $20.0 million. The Company generally targets minimum global liquidity to be 1.5 to 2.0 times its average weekly requirements. The Company also maintains minimum effective cash balances in foreign operations and uses a multi-currency netting and overdraft facility for its European entities to further minimize overseas cash requirements.

On January 25, 2018, the Company entered into a long-term $115.0 million accounts receivable securitization program ("DZ Financing Program") with DZ Bank AG Deutsche Zentral-Genossenschafsbank ("DZ Bank") and exited its financing relationship with PNC Bank ("PNC Financing Program"). While the borrowing capacity was reduced from $160.0 million under the PNC Financing Program, the new agreement increases available liquidity and provides greater financial flexibility with less restrictive financial covenants and fewer restrictions on use of proceeds, as well as reduces overall borrowing costs.

Under the DZ Financing Program, certain receivables of the Company are sold to a wholly-owned, consolidated, bankruptcy-remote subsidiary. To finance the purchase of such receivables, the Company may request that DZ Bank make loans from time to time to the Company that are secured by liens on those receivables.

Loan advances may be made under the DZ Financing Program through January 25, 2020 and all loans will mature no later than July 25, 2020. Loans will accrue interest (i) with respect to loans that are funded through the issuance of commercial paper notes, at the commercial paper ("CP") rate, and (ii) otherwise, at a rate per annum equal to adjusted LIBOR. The CP rate will be based on the rates paid by the applicable lender on notes it issues to fund related loans. Adjusted LIBOR is based on LIBOR for the applicable interest period and the rate prescribed by the Board of Governors of the Federal Reserve System for determining the reserve requirements with respect to Eurocurrency funding. If an event of default occurs, all loans shall bear interest at a rate per annum equal to the prime rate (the federal funds rate plus 3%) plus 2.5%.

The DZ Financing Program also includes a letter of credit sub-facility with a sub-limit of $35.0 million. The size of the DZ Financing Program may be increased with the approval of DZ Bank. As of April 29, 2018, the letter of credit participation was $24.6 million inclusive of $23.5 million for the Company's casualty insurance program and $1.1 million for the security deposit required under the real estate lease agreements. The Company used $30.0 million of funds available under the DZ Financing Program to temporarily collateralize the letters of credit, until the letters of credit were established with DZ Bank on January 31, 2018.

The DZ Financing Program contains customary representations and warranties as well as affirmative and negative covenants, with such covenants being less restrictive than those under the PNC Financing Program. The agreement also contains customary default, indemnification and termination provisions. The DZ Financing Program is not an off-balance sheet arrangement, as the bankruptcy-remote subsidiary is a 100%-owned consolidated subsidiary of the Company.

The Company is subject to certain financial and portfolio performance covenants under our DZ Financing Program, including a minimum tangible net worth of $40.0 million, positive net income in fiscal year 2019, maximum debt to tangible net worth ratio of 3:1 and a minimum of $15.0 million in liquid assets, as defined. At April 29, 2018, the Company was in compliance with all debt covenants.

The Company used funds made available by the DZ Financing Program to repay all amounts outstanding under the PNC Financing Program, which terminated in accordance with its terms, and expects to use remaining availability from the DZ Financing Program from time to time for working capital and other general corporate purposes.

Until the termination date, the PNC Financing Program was secured by receivables from certain staffing services businesses in the United States and Europe that were sold to a wholly-owned, consolidated, bankruptcy-remote subsidiary. The bankruptcy-remote subsidiary's sole business consisted of the purchase of the receivables and subsequent granting of a security interest to PNC under the program, and its assets were available first to satisfy obligations to PNC and were not available to pay creditors of the Company's other legal entities. Borrowing capacity under the PNC Financing Program was directly impacted by the level of accounts receivable.
In addition to customary representations, warranties and affirmative and negative covenants, the PNC Financing Program was subject to termination under standard events of default including change of control, failure to pay principal or interest, breach of the liquidity or performance covenants, triggering of portfolio ratio limits, or other material adverse events, as defined.

On January 11, 2018, the Company entered into Amendment No. 10 to the PNC Financing Program, which gave the Company the option to extend the termination date of the program from January 31, 2018 to March 2, 2018, and amended the financial covenant requiring the Company to meet the minimum earnings before interest and taxes levels for the fiscal quarter ended October 29, 2017. All other material terms and conditions remain substantially unchanged, including interest rates.

At April 29, 2018, the Company had outstanding borrowings under the DZ Financing Program of $50.0 million, with a weighted average annual interest rate of 3.4% during both the second quarter of fiscal 2018 and the first six months of fiscal 2018. At October 29, 2017, the Company had outstanding borrowings under the PNC Financing Program of $50.0 million with a weighted average annual interest rate of 2.8% during the second quarter of fiscal 2017 and 2.7% during the first six months of 2017, which is inclusive of certain facility fees. The Company had outstanding borrowings under the PNC Financing until its termination in January 2018 with a weighted average interest rate of 4.0%. At April 29, 2018, there was $32.9 million of borrowing availability under the DZ Financing Program.

Long-term debt consists of the following (in thousands):

	April 29, 2018	October 29, 2017
Financing programs	$ 50,000	$ 50,000
Less:		
Current portion	—	50,000
Deferred financing fees	1,242	—
Total long-term debt, net	**$ 48,758**	**$ —**

NOTE 7: Earnings (Loss) Per Share

Basic and diluted net loss per share is calculated as follows (in thousands, except per share amounts):

	Three Months Ended		Six Months Ended	
	April 29, 2018	April 30, 2017	April 29, 2018	April 30, 2017
Numerator				
Net loss	**$ (7,687)**	**$ (854)**	**$ (18,381)**	**$ (5,431)**
Denominator				
Basic weighted average number of shares	21,032	20,921	21,030	20,919
Diluted weighted average number of shares	21,032	20,921	21,030	20,919
Net loss per share:				
Basic	$ (0.37)	$ (0.04)	$ (0.87)	$ (0.26)
Diluted	$ (0.37)	$ (0.04)	$ (0.87)	$ (0.26)

Options to purchase 2,360,174 and 1,871,346 shares of the Company's common stock were outstanding at April 29, 2018 and April 30, 2017, respectively. Additionally, there were 300,928 and 220,046 unvested restricted shares outstanding at April 29, 2018 and April 30, 2017, respectively. These options and restricted shares were not included in the computation of diluted loss per share in the fiscal 2018 and 2017 because the effect of their inclusion would have been anti-dilutive as a result of the Company's net loss position in those periods.

NOTE 8: Commitments and Contingencies

(a) Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. The Company's loss contingencies not discussed elsewhere consist primarily of claims and legal actions arising in the normal course of business related to contingent worker employment matters in the staffing services segment. These matters are at varying stages of investigation, arbitration or adjudication. The Company has accrued for losses on individual matters that are both probable and reasonably estimable.

Estimates are based on currently available information and assumptions. Significant judgment is required in both the determination of probability and the determination of whether a matter is reasonably estimable. The Company's estimates may change and actual expenses could differ in the future as additional information becomes available.

(b) Other Matters

As previously disclosed in the Annual Report on Form 10-K for the year ended October 29, 2017, certain qualification failures related to non-discrimination testing for the Company's 401(k) plans consisting of the (1) Volt Technical Services Savings Plan and the (2) Volt Information Sciences, Inc. Savings Plan occurred during plan years prior to 2016. The Company has accrued approximately $0.9 million as its current estimate of what it will need to contribute to the plans to correct the failures. The Company does not expect to contribute any amounts to the plans to correct the failures until the Company has obtained the approval of the Internal Revenue Service regarding the method for curing the failures and the amount of the contribution.

NOTE 9: Segment Data

We report our segment information in accordance with the provisions of ASC 280, *Segment Reporting*.

Our current reportable segments are (i) North American Staffing and (ii) International Staffing. The non-reportable businesses are combined and disclosed with corporate services under the category Corporate and Other.

The Company sold the quality assurance business from within the Technology Outsourcing Services and Solutions segment on October 27, 2017 leaving the Company's call center services as the remaining activity within that segment. The Company has renamed the operating segment Volt Customer Care Solutions and its results are now reported as part of the Corporate and Other category, as it does not meet the criteria for a reportable segment under ASC 280, *Segment Reporting*. To provide period over period comparability, the Company has recast the prior period Technology Outsourcing Services and Solutions segment data to conform to the current presentation within the Corporate and Other category in the prior period. This change did not have any impact on the consolidated financial results for any period presented. In addition, Corporate and Other also included our previously owned Maintech, Incorporated ("Maintech") business in the first six months of fiscal 2017.

Segment operating income (loss) is comprised of segment net revenue less cost of services, selling, administrative and other operating costs, and restructuring and severance costs. The Company allocates to the segments all operating costs except for costs not directly related to the operating activities such as corporate-wide general and administrative costs. These costs are not allocated because doing so would not enhance the understanding of segment operating performance and are not used by management to measure segment performance.

Financial data concerning the Company's segment revenue and operating income (loss) as well as results from Corporate and Other are summarized in the following tables (in thousands):

	Three Months Ended April 29, 2018				
	Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 263,219**	**$ 218,090**	**$ 31,904**	**$ 14,156**	**$ (931)**
Cost of services	225,918	187,929	27,100	11,820	(931)
Gross margin	**37,301**	**30,161**	**4,804**	**2,336**	**—**
Selling, administrative and other operating costs	42,916	28,586	3,915	10,415	—
Restructuring and severance costs	104	4	71	29	—
Impairment charge	155	—	—	155	—
Operating income (loss)	**(5,874)**	**1,571**	**818**	**(8,263)**	**—**
Other income (expense), net	(1,183)				
Income tax provision	630				
Net loss	**$ (7,687)**				

	Three Months Ended April 30, 2017				
	Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 303,005**	**$ 233,804**	**$ 30,231**	**$ 40,532**	**$ (1,562)**
Cost of services	255,886	199,068	25,670	32,710	(1,562)
Gross margin	**47,119**	**34,736**	**4,561**	**7,822**	**—**
Selling, administrative and other operating costs	51,171	31,634	4,030	15,507	—
Restructuring and severance costs	199	44	—	155	—
Impairment charge	290	—	—	290	—
Gain from divestitures	(3,938)	—	—	(3,938)	—
Operating income (loss)	**(603)**	**3,058**	**531**	**(4,192)**	**—**
Other income (expense), net	(1,018)				
Income tax benefit	(767)				
Net loss	**$ (854)**				

	Six Months Ended April 29, 2018				
	Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 516,557**	**$ 424,325**	**$ 61,483**	**$ 32,883**	**$ (2,134)**
Cost of services	443,247	366,287	52,177	26,917	(2,134)
Gross margin	**73,310**	**58,038**	**9,306**	**5,966**	**—**
Selling, administrative and other operating costs	89,854	57,084	8,287	24,483	—
Restructuring and severance costs	622	9	299	314	—
Impairment charge	155	—	—	155	—
Operating income (loss)	**(17,321)**	**945**	**720**	**(18,986)**	**—**
Other income (expense), net	(1,790)				
Income tax benefit	(730)				
Net loss	**$ (18,381)**				

	Six Months Ended April 30, 2017				
	Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 616,029**	**$ 465,669**	**$ 60,581**	**$ 92,499**	**$ (2,720)**
Cost of services	522,020	397,910	51,327	75,503	(2,720)
Gross margin	**94,009**	**67,759**	**9,254**	**16,996**	**—**
Selling, administrative and other operating costs	100,061	61,733	8,071	30,257	—
Restructuring and severance costs	823	140	10	673	—
Impairment charge	290	—	—	290	—
Gain from divestitures	(3,938)	—	—	(3,938)	—
Operating income (loss)	**(3,227)**	**5,886**	**1,173**	**(10,286)**	**—**
Other income (expense), net	(2,348)				
Income tax benefit	(144)				
Net loss	**$ (5,431)**				

(1) Revenues are primarily derived from managed service programs and Volt Customer Care Solutions. In addition, the first half of fiscal 2017 included our previously owned Maintech and quality assurance businesses.
(2) The majority of intersegment sales results from North American Staffing providing resources to Volt Customer Care Solutions and our previously owned quality assurance business.

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

Management's discussion and analysis ("MD&A") of financial condition and results of operations is provided as a supplement to and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes to enhance the understanding of our results of operations, financial condition and cash flows. This MD&A should be read in conjunction with the MD&A included in our Form 10-K for the fiscal year ended October 29, 2017, as filed with the SEC on January 12, 2018 (the "2017 Form 10-K"). References in this document to "Volt," "Company," "we," "us" and "our" mean Volt Information Sciences, Inc. and our consolidated subsidiaries, unless the context requires otherwise. The statements below should also be read in conjunction with the description of the risks and uncertainties set forth from time to time in our reports and other filings made with the SEC, including under Part I, "Item 1A. Risk Factors" of the 2017 Form 10-K.

Note Regarding the Use of Non-GAAP Financial Measures

We have provided certain Non-GAAP financial information, which includes adjustments for special items and certain line items on a constant currency basis, as additional information for segment revenue, our consolidated net income (loss) and segment operating income (loss). These measures are not in accordance with, or an alternative for, measures prepared in accordance with generally accepted accounting principles ("GAAP") and may be different from Non-GAAP measures reported by other companies. We believe that the presentation of Non-GAAP measures on a constant currency basis, eliminating special items and the impact of businesses sold provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations because they permit evaluation of the results of our operations without the effect of currency fluctuations, the impact of businesses sold or special items that management believes make it more difficult to understand and evaluate our financial performance. Special items generally include impairments, restructuring and severance costs, as well as certain income or expenses not indicative of our current or future period performance.

Segments

We report our segment information in accordance with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, *Segment Reporting*.

Our current reportable segments are (i) North American Staffing and (ii) International Staffing. The non-reportable businesses are combined and disclosed with corporate services under the category Corporate and Other.

The Company sold the quality assurance business from within the Technology Outsourcing Services and Solutions segment on October 27, 2017 leaving the Company's call center services as the remaining activity within that segment. The Company renamed the operating segment Volt Customer Care Solutions and its results are now reported as part of the Corporate and Other category, as it does not meet the criteria for a reportable segment under ASC 280, *Segment Reporting*. To provide period over period comparability, the Company has recast the prior period Technology Outsourcing Services and Solutions segment data to conform to the current presentation within the Corporate and Other category in the prior period. This change did not have any impact on the consolidated financial results for any period presented. In addition, Corporate and Other also included our previously owned Maintech, Incorporated ("Maintech") business through the date of sale in March 2017.

Overview

We are a global provider of staffing services (traditional time and materials-based as well as project-based). Our staffing services consist of workforce solutions that include providing contingent workers, personnel recruitment services, and managed staffing services programs supporting primarily administrative and light industrial ("commercial") as well as technical, information technology and engineering ("professional") positions. Our managed service programs ("MSP") involves managing the procurement and on-boarding of contingent workers from multiple providers. Our customer care solutions specialize in serving as an extension of our customers' consumer relationships and processes including collaborating with customers, from help desk inquiries to advanced technical support. We also provided quality assurance services through the date of sale of this business in October 2017. In addition, through the date of the sale of Maintech in March 2017, we provided information technology infrastructure services. Our information technology infrastructure services provided server, storage, network and desktop IT hardware maintenance, data center and network monitoring and operations.

As of April 29, 2018, we employed approximately 20,400 people, including 18,800 contingent workers. Contingent workers are on our payroll for the length of their assignment. We operate from 100 locations worldwide with approximately 87% of our revenues generated in the United States. Our principal international markets include Europe, Canada and several Asia Pacific locations. The industry is highly fragmented and very competitive in all of the markets we serve.

Goodwill

We perform our annual impairment test for goodwill during the second quarter of the fiscal year and when a triggering event occurs between annual impairment tests. When testing goodwill, the Company has the option to first assess qualitative factors for reporting units that carry goodwill. International Staffing is the only segment which carries goodwill. The qualitative assessment includes assessing the totality of relevant events and circumstances that affect the fair value or carrying value of the reporting unit. These events and circumstances include macroeconomic conditions, industry and competitive environment conditions, overall financial performance, reporting unit specific events and market considerations. We may also consider recent valuations of the reporting unit, including the magnitude of the difference between the most recent fair value estimate and the carrying value, as well as both positive and adverse events and circumstances, and the extent to which each of the events and circumstances identified may affect the comparison of a reporting unit's fair value with its carrying value. If the qualitative assessment results in a conclusion that it is more likely than not that the fair value of a reporting unit exceeds the carrying value, then no further testing is performed for that reporting unit.

When a qualitative assessment is not used, or if the qualitative assessment is not conclusive and it is necessary to calculate fair value of a reporting unit, then the impairment analysis for goodwill is performed at the reporting unit level using a one-step approach ("Step 1") under Accounting Standards Update 2017-04, *Intangibles - Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment*. In conducting our goodwill impairment testing, we compare the fair value of the reporting unit with goodwill to the carrying value, using various valuation techniques including income (discounted cash flow) and market approaches. The Company believes the blended use of both models compensates for the inherent risk associated with either model if used on a standalone basis, and this combination is indicative of the factors a market participant would consider when performing a similar valuation.

For the fiscal 2018 test performed in the second quarter, we elected to bypass the qualitative assessment and prepared a Step 1 analysis. Our Step 1 analysis used significant assumptions including expected revenue and expense growth rates, forecasted capital expenditures, working capital levels and a discount rate of 12%. Under the market-based approach significant assumptions included relevant comparable company earnings multiples including the determination of whether a premium or discount should be applied to those comparables. During the second quarter of fiscal 2018, it was determined that no adjustment to the carrying value of goodwill of $5.7 million was required as our Step 1 analysis resulted in the fair value of the reporting unit exceeding its carrying value.

Recent Developments

The Company announced that President and Chief Executive Officer Michael Dean left the Company and the Board, effective June 6, 2018. The Company also announced that Linda Perneau was appointed Interim Chief Executive Officer, in addition to her role as President of Volt Workforce Solutions. In connection with this development, current director Nick Cyprus was appointed Chairman of the Board and current director William Grubbs was appointed Vice-Chairman. The Company has formed an Executive Management Committee comprised of Linda Perneau, Paul Tomkins (Senior Vice President and Chief Financial Officer), Nancy Avedissian (Senior Vice President and General Counsel), and Ann Hollins (Senior Vice President and Chief Human Resources Officer). The Executive Management Committee will be responsible for the day-to-day operational and corporate management of the Company, and will report directly to the Board of Directors.

Consolidated Results by Segment

(in thousands)	Three Months Ended April 29, 2018 Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 263,219**	**$ 218,090**	**$ 31,904**	**$ 14,156**	**$ (931)**
Cost of services	225,918	187,929	27,100	11,820	(931)
Gross margin	**37,301**	**30,161**	**4,804**	**2,336**	**—**
Selling, administrative and other operating costs	42,916	28,586	3,915	10,415	—
Restructuring and severance costs	104	4	71	29	—
Impairment	155	—	—	155	—
Operating income (loss)	**(5,874)**	**1,571**	**818**	**(8,263)**	**—**
Other income (expense), net	(1,183)				
Income tax provision	630				
Net loss	**$ (7,687)**				

(in thousands)	Three Months Ended April 30, 2017 Total	North American Staffing	International Staffing	Corporate and Other (1)	Eliminations (2)
Net revenue	**$ 303,005**	**$ 233,804**	**$ 30,231**	**$ 40,532**	**$ (1,562)**
Cost of services	255,886	199,068	25,670	32,710	(1,562)
Gross margin	**47,119**	**34,736**	**4,561**	**7,822**	**—**
Selling, administrative and other operating costs	51,171	31,634	4,030	15,507	—
Restructuring and severance costs	199	44	—	155	—
Impairment charge	290	—	—	290	—
Gain from divestitures	(3,938)	—	—	(3,938)	—
Operating income (loss)	**(603)**	**3,058**	**531**	**(4,192)**	**—**
Other income (expense), net	(1,018)				
Income tax benefit	(767)				
Net loss	**$ (854)**				

(1) Revenues are primarily derived from managed service programs and Volt Customer Care Solutions. In addition, the first half of fiscal 2017 included our previously owned Maintech and quality assurance businesses.
(2) The majority of intersegment sales results from North American Staffing providing resources to Volt Customer Care Solutions and our previously owned quality assurance business.

Results of Operations Consolidated (Q2 2018 vs. Q2 2017)

Net revenue in the second quarter of fiscal 2018 decreased $39.8 million, or 13.1%, to $263.2 million from $303.0 million in the second quarter of fiscal 2017. Excluding the revenue from our quality assurance and Maintech businesses sold during fiscal 2017, net revenue in the second quarter of fiscal 2018 decreased $18.6 million, or 6.6%, from $281.8 million in the second quarter of fiscal 2017. Corporate and Other revenue, in the second quarter of fiscal 2017, included $21.2 million in revenue for these non-core businesses. In addition, North American Staffing segment revenue decreased $15.7 million, or 6.7%.

Operating loss in the second quarter of fiscal 2018 increased $5.3 million, to $5.9 million from $0.6 million in the second quarter of fiscal 2017. Excluding the gain on the sale on Maintech of $3.9 million in the second quarter of fiscal 2017 and $1.3 million in operating income reported by the non-core businesses sold, operating loss in second quarter of fiscal 2018 increased $0.1 million, or 1.3%, from $5.8 million in the second quarter of fiscal 2017. This increase in operating loss was primarily the result of a decline in North American Staffing operating income offset by reductions in Corporate support costs.

Results of Operations by Segment (Q2 2018 vs. Q2 2017)

Net Revenue

North American Staffing segment revenue decreased $15.7 million, or 6.7%, driven by lower demand from customers in both our professional and commercial job families, as well as a significant change in a transportation manufacturing customer's contingent labor strategy in the latter part of fiscal 2017. The segment's revenue was also impacted by other customers experiencing decreased demand for their services and changes in their staffing models, offsetting revenue growth from new and existing customers.

International Staffing segment revenue increased $1.7 million, or 5.5%; however, excluding the impact of foreign exchange rate fluctuations, revenue declined $1.9 million, or 5.6%. The decline was primarily driven by an economic downturn and lower demand in the United Kingdom offset by strong growth in Belgium and Singapore.

The Corporate and Other category revenue decreased by $26.3 million primarily attributable to the absence of revenue in the second quarter of fiscal 2018 from the sale of non-core businesses in March and October of fiscal 2017. These non-core businesses included our quality assurance and Maintech businesses which reported revenue of $14.8 million and $6.4 million, respectively. In addition, our North American MSP revenue declined $3.0 million due to winding down of certain programs and our Volt Customer Care Solution revenue declined $2.1 million due to normal fluctuations in call center activity.

Cost of Services and Gross Margin

Cost of services in the second quarter of fiscal 2018 decreased $30.0 million, or 11.7%, to $225.9 million from $255.9 million in the second quarter of fiscal 2017. This decrease was primarily the result of fewer staff on assignment, consistent with the related decrease in revenue. Gross margin as a percent of revenue in the second quarter of fiscal 2018 decreased to 14.2% from 15.6% in the second quarter of fiscal 2017. Our North American Staffing segment margins declined due to competitive pricing pressure and a higher mix of larger price-competitive customers and our Volt Customer Care Solutions margins declined as a result of higher non-billable training costs. In addition, the decrease in gross margin as a percent of revenue was due in part to the sale of non-core businesses in fiscal 2017. Excluding these businesses, gross margin decreased to 14.2% in the second quarter of fiscal 2018 from 15.2% in the second quarter of fiscal 2017. These declines were partially offset by improved margins from our North American MSP business.

Selling, Administrative and Other Operating Costs

Selling, administrative and other operating costs in the second quarter of fiscal 2018 decreased $8.3 million, or 16.1%, to $42.9 million from $51.2 million in the second quarter of fiscal 2017. This decrease was primarily due to on-going cost reductions in all areas of the business and favorable medical claims experience as well as costs attributed to the previously-owned quality assurance and Maintech businesses of $3.0 million. As a percent of revenue, these costs were 16.3% and 16.9% in the second quarter of fiscal 2018 and 2017, respectively. Excluding the $3.0 million from the sale of non-core businesses, selling, administrative and other operating costs decreased $5.2 million, or 10.8%.

Impairment Charge

In the second quarter of fiscal 2018, the Company made the decision to forgo future use of a previously purchased reporting software tool, which resulted in an impairment charge of $0.2 million. In the second quarter of fiscal 2017, the Company determined that a previously purchased software module would not be used as part of the new back-office financial suite, which resulted in an impairment charge of $0.3 million.

Gain from Divestitures

In the second quarter of fiscal 2017, we completed the sale of Maintech to Maintech Holdings LLC, a newly formed holding company and affiliate of Oak Lane Partners, LLC and recognized a gain on the sale of $3.9 million.

Other Income (Expense), net

Other expense in the second quarter of fiscal 2018 increased $0.2 million, or 16.2%, to $1.2 million from $1.0 million in the second quarter of fiscal 2017, primarily related to non-cash net foreign exchange loss on intercompany balances partially offset by lower interest and borrowing costs as a result of a new financing program.

Income Tax Provision (Benefit)

Income taxes amounted to a provision of $0.6 million in the second quarter of fiscal 2018 and a benefit of $0.8 million in the second quarter of fiscal 2017. The provision in the second quarter of fiscal 2018 primarily related to locations outside of the United States. The benefit in the second quarter of fiscal 2017 primarily related to favorable IRS audit results and the release of $1.3 million in uncertain tax positions related to the closure of the IRS audit and associated state audits partially offset by provisions primarily related to locations outside of the United States.

Consolidated Results by Segment

	Six Months Ended April 29, 2018				
(in thousands)	**Total**	**North American Staffing**	**International Staffing**	**Corporate and Other (1)**	**Eliminations (2)**
Net revenue	**$ 516,557**	**$ 424,325**	**$ 61,483**	**$ 32,883**	**$ (2,134)**
Cost of services	443,247	366,287	52,177	26,917	(2,134)
Gross margin	**73,310**	**58,038**	**9,306**	**5,966**	**—**
Selling, administrative and other operating costs	89,854	57,084	8,287	24,483	—
Restructuring and severance costs	622	9	299	314	—
Impairment charge	155	—	—	155	—
Operating income (loss)	**(17,321)**	**945**	**720**	**(18,986)**	**—**
Other income (expense), net	(1,790)				
Income tax benefit	(730)				
Net loss	**$ (18,381)**				

	Six Months Ended April 30, 2017				
(in thousands)	**Total**	**North American Staffing**	**International Staffing**	**Corporate and Other (1)**	**Eliminations (2)**
Net revenue	**$ 616,029**	**$ 465,669**	**$ 60,581**	**$ 92,499**	**$ (2,720)**
Cost of services	522,020	397,910	51,327	75,503	(2,720)
Gross margin	**94,009**	**67,759**	**9,254**	**16,996**	**—**
Selling, administrative and other operating costs	100,061	61,733	8,071	30,257	—
Restructuring and severance costs	823	140	10	673	—
Impairment charge	290	—	—	290	—
Gain from divestitures	(3,938)	—	—	(3,938)	—
Operating income (loss)	**(3,227)**	**5,886**	**1,173**	**(10,286)**	**—**
Other income (expense), net	(2,348)				
Income tax benefit	(144)				
Net loss	**$ (5,431)**				

(1) Revenues are primarily derived from managed service programs and Volt Customer Care Solutions. In addition, the first half of fiscal 2017 included our previously owned Maintech and quality assurance businesses.
(2) The majority of intersegment sales results from North American Staffing providing resources to Volt Customer Care Solutions and our previously owned quality assurance business.

Results of Operations Consolidated (Q2 2018 YTD vs. Q2 2017 YTD)

Net revenue in the first six months of fiscal 2018 decreased $99.4 million, or 16.1%, to $516.6 million from $616.0 million in the first six months of fiscal 2017. Excluding the revenue from our quality assurance and Maintech businesses sold during fiscal 2017, net revenue in the first six months of fiscal 2018 decreased $46.2 million, or 8.2%, from $562.8 million in the first six months of fiscal

2017. Corporate and Other revenue, in the first six months of fiscal 2017, included $53.2 million in revenue from these non-core businesses. In addition, North American Staffing segment revenue decreased $41.4 million, or 8.9%.

Operating loss in the first six months of fiscal 2018 increased $14.1 million, to $17.3 million from $3.2 million in the first six months of fiscal 2017. Excluding the gain on the sale on Maintech of $3.9 million in the first six months of fiscal 2017 and $4.8 million in operating income reported by the non-core businesses sold, operating loss in the first six months of fiscal 2018 increased $5.4 million, or 45.7%, from $11.9 million in the first six months of fiscal 2017. This increase in operating loss was primarily the result of a $4.9 million decrease in North American Staffing segment's operating income.

Results of Operations by Segment (Q2 2018 YTD vs. Q2 2017 YTD)

Net Revenue

North American Staffing segment revenue decreased $41.4 million, or 8.9% driven by lower demand from customers in both our professional and commercial job families, as well as a significant change in a transportation manufacturing customer's contingent labor strategy in the latter part of fiscal 2017. The segment's revenue was also impacted by other customers experiencing decreased demand for their services and changes in their staffing models, offsetting revenue growth from new and existing customers.

International Staffing segment revenue increased $0.9 million, or 1.5% driven by the impact of foreign exchange rate fluctuations of $6.1 million. On a constant currency basis, International Staffing revenue decreased by $5.1 million, or 7.6%, primarily due to an economic downturn and lower demand in the United Kingdom offset by strong growth in Belgium and Singapore.

The Corporate and Other category revenue decreased $59.6 million primarily attributable to the absence of revenue in the second quarter of fiscal 2018 from the sale of non-core businesses in March and October of fiscal 2017. These non-core businesses included our quality assurance and Maintech businesses which reported revenue of $29.9 million and $23.3 million, respectively. In addition, our North American MSP revenue declined $3.7 million due to winding down of certain programs and our Volt Customer Care Solutions revenue declined $2.7 million due to normal fluctuations in call center activity.

Cost of Services and Gross Margin

Cost of services in the first six months of fiscal 2018 decreased $78.8 million, or 15.1%, to $443.2 million from $522.0 million in the first six months of fiscal 2017. This decrease was primarily the result of fewer staff on assignment, consistent with the related decrease in revenue. Gross margin as a percent of revenue in the first six months of fiscal 2018 decreased to 14.2% from 15.3% in the first six months of fiscal 2017. Our North American Staffing segment margins declined due to competitive pricing pressure and a higher mix of larger price-competitive customers. In addition, the decrease in gross margin as a percent of revenue was in part due to the sale of non-core businesses in fiscal 2017. Excluding these businesses, gross margin in the first six months of fiscal 2018 decreased to 14.2% from 14.7% in the first six months of fiscal 2017. These declines were partially offset by our Volt Customer Care Solutions margins increase as a result of a change in the overall mix to higher bill rate tiers and improved margins from our North American MSP business.

Selling, Administrative and Other Operating Costs

Selling, administrative and other operating costs in the first six months of fiscal 2018 decreased $10.2 million, or 10.2%, to $89.9 million from $100.1 million in the first six months of fiscal 2017. This decrease was primarily due to on-going cost reductions in all areas of the business and favorable medical claims experience as well as costs attributed to the previously-owned quality assurance and Maintech businesses of $6.4 million. These decreases were partially offset by higher legal fees as well as higher depreciation and software license expenses related to completion of the first phase of the upgrade of our back-office financial suite and information technology tools. As a percent of revenue, these costs were 17.4% and 16.2% in the first six months of fiscal 2018 and 2017, respectively. Excluding the $6.4 million from the sale of non-core businesses, selling, administrative and other operating costs decreased $3.8 million, or 4.1%.

Impairment Charge

In the first six months of fiscal 2018, the Company made the decision to forgo future use of a previously purchased reporting software tool, which resulted in an impairment charge of $0.2 million. In the first six months of fiscal 2017, the Company determined that a previously purchased software module would not be used as part of the new back-office financial suite, which resulted in an impairment charge of $0.3 million.

Gain from Divestitures

In the second quarter of fiscal 2017, we completed the sale of Maintech to Maintech Holdings LLC, a newly formed holding company and affiliate of Oak Lane Partners, LLC and recognized a gain on the sale of $3.9 million.

Other Income (Expense), net

Other expense in the first six months of fiscal 2018 decreased $0.5 million, or 23.8%, to $1.8 million from $2.3 million in the first six months of fiscal 2017, primarily related to lower interest and borrowing costs as a result of a new financing program.

Income Tax Benefit

Income tax amounted to a benefit of $0.7 million in the first six months of fiscal 2018 and $0.1 million in the first six months of fiscal 2017. The benefit in the first six months of fiscal 2018 relates to a $1.1 million reversal of reserves on uncertain tax provisions partially offset by a provision primarily related to locations outside of the United States. The benefit in the first six months of fiscal 2017 relates to favorable IRS audit results and the release of $1.3 million in uncertain tax positions related to the closure of the IRS audit and associated state audits partially offset by a provision primarily related to locations outside of the United States.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash flows from operations and proceeds from our financing arrangements with DZ Bank AG Deutsche Zentral-Genossenschafsbank (“DZ Bank”) and with PNC Bank, National Association (“PNC Bank”) until the termination of the PNC Financing Program in January 2018. Borrowing capacity under these arrangements is directly impacted by the level of accounts receivable which fluctuates during the year due to seasonality and other factors. Our business is subject to seasonality with our fiscal first quarter billings typically the lowest due to the holiday season and generally increasing in the fiscal third and fourth quarters when our customers increase the use of contingent labor. Generally, the first and fourth quarters of our fiscal year are the strongest for operating cash flows. Our operating cash flows consist primarily of collections of customer receivables offset by payments for payroll and related items for our contingent staff and in-house employees; federal, foreign, state and local taxes; and trade payables. We generally provide customers with 30 - 45 day credit terms, with few extenuating exceptions to 60 days, while our payroll and certain taxes are paid weekly.

We manage our cash flow and related liquidity on a global basis. We fund payroll, taxes and other working capital requirements using cash supplemented as needed from our borrowings. Our weekly payroll payments inclusive of employment-related taxes and payments to vendors are approximately $20.0 million. We generally target minimum global liquidity to be 1.5 to 2.0 times our average weekly requirements. We also maintain minimum effective cash balances in foreign operations and use a multi-currency netting and overdraft facility for our European entities to further minimize overseas cash requirements. We believe our cash flow from operations and planned liquidity will be sufficient to meet our cash needs for the next twelve months.

Capital Allocation

We have prioritized our capital allocation strategy to strengthen our balance sheet and increase our competitiveness in the marketplace. The timing of these capital allocation priorities is highly dependent upon attaining the profitability objectives outlined in our plan and the generation of positive cash flow. We also see this as an opportunity to demonstrate our ongoing commitment to Volt shareholders as we continue to execute on our plan and return to sustainable profitability. Our capital allocation strategy includes the following elements:

- *Maintaining appropriate levels of working capital.* Our business requires a certain level of cash resources to efficiently execute operations. Consistent with similar companies in our industry and operational capabilities, we estimate this amount to be 1.5 to 2.0 times our weekly cash distributions on a global basis and must accommodate seasonality and cyclical trends;

- *Reinvesting in our business.* We continue to execute on our company-wide initiative of disciplined reinvestment in our business including new information technology systems which will support our front-end recruitment and placement capabilities as well as increase efficiencies in our back-office financial suite. We are also investing in our sales and recruiting process and resources, which is critical to drive profitable revenue growth;

- *Deleveraging our balance sheet.* By lowering our debt level, we will strengthen our balance sheet, reduce interest costs and reduce risk going forward;

- *Returning capital to shareholders.* Part of our strategy is to return capital to our shareholders when circumstances permit in connection with share buybacks; and

- *Acquiring value-added businesses.* Potentially in the longer-term, and when circumstances permit, identifying and acquiring companies which would be accretive to our operating income and that could leverage Volt’s scale, infrastructure and capabilities. Strategic acquisitions could potentially strengthen Volt in certain industry verticals or in specific geographic locations.

Recent Initiatives to Improve Operating Income, Cash Flows and Liquidity

We continue to make progress on several initiatives undertaken to enhance our liquidity position and shareholder value.

On January 25, 2018, we entered into a long-term $115.0 million accounts receivable securitization program with DZ Bank and exited our financing relationship with PNC Bank. The new agreement better aligns our current financing requirements with our strategic initiatives and reduces our overall borrowing costs. In addition to better pricing, the new facility has less restrictive financial covenants and fewer restrictions on use of proceeds, which will improve available liquidity and allow us to continue to advance our capital allocation plan. Overall, the new financing program greatly enhances our financial flexibility and debt maturity profile, while providing us with additional resources to execute our business strategy.

In October 2017, we completed the sale of the quality assurance business within the Technology Outsourcing Services and Solutions segment and received net proceeds of $66.8 million after certain transaction related fees and expenses which were used to reduce outstanding debt by $50.0 million.

In March 2017, we completed the sale of Maintech and received gross proceeds of $18.3 million. The net proceeds from the transaction amounted to $13.1 million after certain transaction related fees and expenses and repayment of loan balances.

In February 2017, the IRS approved the federal portion of the IRS refund from the filing of our amended tax returns for our fiscal years 2004 through 2010. As of January 28, 2018, we have received all of the federal and corresponding state refunds.

Entering fiscal 2018, we have significant tax benefits including federal net operating loss carryforwards of $155.7 million and U.S. state net operating loss carryforwards of $195.2 million as well as federal tax credits of $48.2 million, which are fully reserved with a valuation allowance, which we will be able to utilize against future corporate income tax resulting from our strategic initiatives. We also have capital loss carryforwards of $13.5 million, which we will be able to utilize against future capital gains that may arise in the near future.

As previously discussed, we continue to add functionality to our underlying IT systems and to improve our competitiveness in the marketplace. Through our strategy of improving efficiency in all aspects of our operations, we believe we can realize organic growth opportunities, reduce costs and increase profitability. Additionally, our cost reduction actions taken in fiscal 2016 and 2017 will result in net annualized labor savings of approximately $17.0 million. Consistent with our ongoing strategic efforts, cost savings will be used to strengthen our operations.

Liquidity Outlook and Further Considerations

As previously noted, our primary sources of liquidity are cash flows from operations and proceeds from our financing arrangements. Both operating cash flows and borrowing capacity under our financing arrangements are directly related to the levels of accounts receivable generated by our businesses. Our level of borrowing capacity under the long-term accounts receivable securitization program (“DZ Financing Program”) increases or decreases in tandem with any increases or decreases in accounts receivable based on revenue fluctuations.

At April 29, 2018, the Company had outstanding borrowings under the DZ Financing Program of $50.0 million, borrowing availability under the DZ Financing Program of $32.9 million and global liquidity of $59.4 million.

We are subject to certain financial and portfolio performance covenants under our DZ Financing Program, including a minimum tangible net worth of $40.0 million, positive net income in fiscal year 2019, maximum debt to tangible net worth ratio of 3:1 and a minimum of $15.0 million in liquid assets, as defined.

Our DZ Financing Program is subject to termination under certain events of default such as breach of covenants, including the aforementioned financial covenants. At April 29, 2018, we were in compliance with all debt covenants. We believe, based on our 2018 plan, we will continue to be able to meet our financial covenants.

The following table sets forth our cash and liquidity available levels at the end of our last five quarters and our most recent week ended (in thousands):

Global Liquidity

	April 30, 2017	July 30, 2017	October 29, 2017	January 28, 2018	April 29, 2018	June 1, 2018
Cash and cash equivalents *(a)*	**$ 20,743**	**$ 16,357**	**$ 37,077**	**$ 53,868**	**$ 34,177**	
Total outstanding debt	**$ 90,000**	**$ 100,000**	**$ 50,000**	**$ 80,000**	**$ 50,000**	**$ 50,000**
Cash in banks *(b) (c)*	$ 24,080	$ 18,981	$ 40,685	$ 57,262	$ 26,443	$ 18,992
PNC Financing Program	31,837	14,445	54,129	—	—	—
DZ Financing Program (*d*)	—	—	—	21,528	32,943	27,575
Global liquidity	**55,917**	**33,426**	**94,814**	**78,790**	**59,386**	**46,567**
Minimum liquidity threshold *(e)*	25,000	25,000	40,000	15,000	15,000	15,000
Available liquidity	**$ 30,917**	**$ 8,426**	**$ 54,814**	**$ 63,790**	**$ 44,386**	**$ 31,567**

a. *Per financial statements.*
b. *Balance generally includes outstanding checks.*
c. *As of April 29, 2018, amounts in the USB collections account are excluded from cash in banks as the balance is included in the borrowing availability under the DZ Financing Program. As of April 29, 2018, the balance in the USB collections account included in the DZ Financing Program availability was $5.6 million.*
d. *The DZ Financing Program excluded accounts receivable from the United Kingdom. The Company expects to add these receivables to the program within fiscal 2018.*
e. *At October 29, 2017, the minimum liquidity threshold included as borrowing base block of $35.0 million.*

Cash flows from operating, investing and financing activities, as reflected in our Condensed Consolidated Statements of Cash Flows, are summarized in the following table (in thousands):

	Six Months Ended	
	April 29, 2018	April 30, 2017
Net cash provided by operating activities	$ 276	$ 11,799
Net cash provided by (used in) investing activities	(1,134)	9,431
Net cash used in financing activities	(1,471)	(7,783)
Effect of exchange rate changes on cash and cash equivalents	(571)	910
Net increase (decrease) in cash and cash equivalents	**$ (2,900)**	**$ 14,357**

Cash Flows - Operating Activities

The net cash provided by operating activities in the six months ended April 29, 2018 was $0.3 million, a decrease of $11.5 million from the same period in fiscal 2017. This decrease resulted primarily from a decrease in income taxes due to a receipt of an IRS refund in 2017, an increase in net loss, partially offset by an increase in cash provided by operating assets and liabilities, primarily from accounts receivable, restricted cash, other assets, and accrued expenses and other liabilities, partially offset by accounts payable.

Cash Flows - Investing Activities

The net cash used in investing activities in the six months ended April 29, 2018 was $1.1 million, principally from purchases of property, equipment and software of $1.3 million relating to our investment in updating our business processes, back-office financial suite and information technology tools. The net cash provided by investing activities in the six months ended April 30, 2017 was $9.4 million, principally proceeds from the sale of Maintech of $15.2 million, partially offset by the purchase of property, equipment and software of $6.4 million relating to our investment in updating our business processes, back-office financial suite and information technology tools.

Cash Flows - Financing Activities

The net cash used in financing activities in the six months ended April 29, 2018 was $1.5 million mainly due to debt issuance costs of $1.4 million. The net cash used in financing activities in the six months ended April 30, 2017 was $7.8 million, mainly for the net repayment of borrowings of $7.1 million.

Financing Program

On January 25, 2018, we entered into the DZ Financing Program, a long-term $115.0 million accounts receivable securitization program with DZ Bank and exited our financing relationship ("PNC Financing Program") with PNC Bank. While the borrowing capacity was reduced from $160.0 million under the PNC Financing Program, the new agreement increases available liquidity and provides greater financial flexibility with less restrictive financial covenants and fewer restrictions on use of proceeds, as well as reduces overall borrowing costs.

Under the DZ Financing Program, certain receivables of the Company are sold to a wholly-owned, consolidated, bankruptcy-remote subsidiary. To finance the purchase of such receivables, we may request that DZ Bank make loans from time to time to the Company that are secured by liens on those receivables.

Loan advances may be made under the DZ Financing Program through January 25, 2020 and all loans will mature no later than July 25, 2020. Loans will accrue interest (i) with respect to loans that are funded through the issuance of commercial paper notes, at the CP rate, and (ii) otherwise, at a rate per annum equal to adjusted LIBOR. The CP rate will be based on the rates paid by the applicable lender on notes it issues to fund related loans. Adjusted LIBOR is based on LIBOR for the applicable interest period and the rate prescribed by the Board of Governors of the Federal Reserve System for determining the reserve requirements with respect to Eurocurrency funding. If an event of default occurs, all loans shall bear interest at a rate per annum equal to the prime rate (the federal funds rate plus 3%) plus 2.5%.

The DZ Financing Program also includes a letter of credit sub-facility with a sub-limit of $35.0 million. The size of the DZ Financing Program may be increased with the approval of DZ Bank. As of April 29, 2018, the letter of credit participation was $24.6 million inclusive of $23.5 million for the Company's casualty insurance program and $1.1 million for the security deposit required under the real estate lease agreements. The Company used $30.0 million of funds available under the DZ Financing Program to temporarily collateralize the letters of credit, until the letters of credit were established with DZ Bank on January 31, 2018.

The DZ Financing Program contains customary representations and warranties as well as affirmative and negative covenants, with such covenants being less restrictive than those under the PNC Financing Program. The agreement also contains customary default, indemnification and termination provisions.

We are subject to certain financial and portfolio performance covenants under our DZ Financing Program, including a minimum tangible net worth of $40.0 million, positive net income in fiscal year 2019, maximum debt to tangible net worth ratio of 3:1 and a minimum of $15.0 million in liquid assets, as defined. At April 29, 2018, we were in compliance with all debt covenants.

We used funds made available by the DZ Financing Program to repay all amounts outstanding under the PNC Financing Program, which terminated in accordance with its terms, and expect to use remaining availability from the DZ Financing Program from time to time for working capital and other general corporate purposes.

Until the termination date, the PNC Financing Program was secured by receivables from certain staffing services businesses in the United States and Europe that are sold to a wholly-owned, consolidated, bankruptcy-remote subsidiary. The bankruptcy-remote subsidiary's sole business consisted of the purchase of the receivables and subsequent granting of a security interest to PNC Bank under the program, and its assets were available first to satisfy obligations to PNC Bank and were not available to pay creditors of the Company's other legal entities. Borrowing capacity under the PNC Financing Program was directly impacted by the level of accounts receivable.

In addition to customary representations, warranties and affirmative and negative covenants, the PNC Financing Program was subject to termination under standard events of default including change of control, failure to pay principal or interest, breach of the liquidity or performance covenants, triggering of portfolio ratio limits, or other material adverse events, as defined.

On January 11, 2018, we entered into Amendment No. 10 to the PNC Financing Program, which gave us the option to extend the termination date of the program from January 31, 2018 to March 2, 2018, and amended the financial covenant requiring the

Company to meet the minimum earnings before interest and taxes levels for the fiscal quarter ended October 29, 2017. All other material terms and conditions remained substantially unchanged, including interest rates.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The information in this section should be read in conjunction with the information on financial market risk related to non-U.S. currency exchange rates, changes in interest rates and other financial market risks in Part II, Item 7A., "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the year ended October 29, 2017.

Market risk is the potential economic gain or loss that may result from changes in market rates and prices. In the normal course of business, the Company's earnings, cash flows and financial position are exposed to market risks relating to the impact of interest rate changes, foreign currency exchange rate fluctuations and changes in the market value of financial instruments. We limit these risks through risk management policies and procedures.

Interest Rate Risk

We centrally manage our debt and investment portfolios considering investment opportunities and risks, tax consequences and overall financing strategies. At April 29, 2018, we had cash and cash equivalents on which interest income is earned at variable rates. At April 29, 2018, we had a long-term $115.0 million accounts receivable securitization program, which can be increased subject to credit approval from DZ Bank, to provide additional liquidity to meet our short-term financing needs.

The interest rates on these borrowings and financings are variable and, therefore, interest and other expense and interest income are affected by the general level of U.S. and foreign interest rates. We consider the use of derivative instruments to hedge interest rate risk; however, as of April 29, 2018, we did not utilize any of these instruments as they were not considered to be cost effective. Based upon the current levels of cash invested, notes payable to banks and utilization of the securitization program, on a short-term basis, a hypothetical 1-percentage-point increase or decrease in interest rates would have minimal impact in the second quarter of fiscal 2018.

Foreign Currency Risk

We have operations in several foreign countries and conduct business in the local currency in these countries. As a result, we have risk associated with currency fluctuations as the value of foreign currencies fluctuates against the dollar, in particular the British Pound, Euro, Canadian Dollar and Indian Rupee. These fluctuations impact reported earnings.

Fluctuations in currency exchange rates also impact the U.S. dollar amount of our net investment in foreign operations. The assets and liabilities of our foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the fiscal period balance sheet date. Income and expense accounts are translated at an average exchange rate during the year which approximates the rates in effect at the transaction dates. The resulting translation adjustments are recorded in stockholders' equity as a component of Accumulated other comprehensive loss. The U.S. dollar weakened relative to many foreign currencies as of April 29, 2018 compared to October 29, 2017. Consequently, stockholders' equity increased by $0.5 million as a result of the foreign currency translation as of April 29, 2018.

Based upon the current levels of net foreign assets, a hypothetical 10% devaluation of the U.S. dollar as compared to these currencies as of April 29, 2018 would result in an approximate $3.0 million positive translation adjustment recorded in Accumulated other comprehensive loss within stockholders' equity. Conversely, a hypothetical 10% appreciation of the U.S. dollar as compared to these currencies as of April 29, 2018 would result in an approximate $3.0 million negative translation adjustment recorded in Accumulated other comprehensive loss within stockholders' equity. We do not use derivative instruments for trading or other speculative purposes.

Equity Risk

Our investments are exposed to market risk as it relates to changes in the market value. We hold investments primarily in mutual funds for the benefit of participants in our non-qualified deferred compensation plan, and changes in the market value of these investments result in offsetting changes in our liability under the non-qualified deferred compensation plans as the employees realize the rewards and bear the risks of their investment selections. At April 29, 2018, the total market value of these investments was $3.2 million.

ITEM 4. *CONTROLS AND PROCEDURES*

Volt maintains “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the “Exchange Act”), which are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Interim Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, Volt’s management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and Volt’s management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Volt has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of Volt’s management, including its Interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Volt’s disclosure controls and procedures. Based upon their evaluation and subject to the foregoing, the Interim Chief Executive Officer and Chief Financial Officer concluded that Volt’s disclosure controls and procedures were effective.

There have been no significant changes in Volt’s internal controls over financial reporting that occurred during the fiscal quarter ended April 29, 2018 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, the Company is subject to claims in legal proceedings arising in the ordinary course of its business, including payroll-related and various employment-related matters. All litigation currently pending against the Company relates to matters that have arisen in the ordinary course of business and the Company believes that such matters will not have a material adverse effect on its consolidated financial condition, results of operations or cash flows.

Since our 2017 Form 10-K, there have been no material developments in the material legal proceedings in which we are involved.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the 2017 10-K, which could materially affect the Company's business, financial position and results of operations. There are no material changes from the risk factors set forth in Part I, "Item 1A. Risk Factors" in the 2017 10-K.

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

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this report:

Exhibits	Description
3.1	Restated Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 3, 2015 filed June 10, 2015; File No. 001-09232)
3.2	Amended and Restated By-Laws of the Company, as amended through September 7, 2017 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed September 12, 2017; File No. 001-9232)
10.1	Employment Agreement, dated February 12, 2018, between the Company and Linda Perneau (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed March 7, 2018; File No. 001-09232)
31.1	Certification of Interim Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification of Interim Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

	VOLT INFORMATION SCIENCES, INC.
Date: June 7, 2018	By: /s/ Paul Tomkins
	Paul Tomkins Senior Vice President and Chief Financial Officer (Principal Financial Officer)
Date: June 7, 2018	By: /s/ Leonard Naujokas
	Leonard Naujokas Controller and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Linda Perneau, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Volt Information Sciences, Inc.

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

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

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

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

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

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

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

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

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

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

Date: June 7, 2018

By: /s/ Linda Perneau

Linda Perneau
Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul Tomkins, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Volt Information Sciences, Inc.

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

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

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

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

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

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

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

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

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

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

Date: June 7, 2018

By: /s/ Paul Tomkins

Paul Tomkins
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

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 Quarterly Report of Volt Information Sciences, Inc. (the "Company") on Form 10-Q for the quarter ended April 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda Perneau Interim Chief Executive Officer of the Company, certify that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: June 7, 2018

By: /s/ Linda Perneau

Linda Perneau
Interim Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Volt Information Sciences, Inc. and will be retained by Volt Information Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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 Quarterly Report of Volt Information Sciences, Inc. (the "Company") on Form 10-Q for the quarter ended April 29, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Tomkins, Chief Financial Officer of the Company, certify that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: June 7, 2018	By:	/s/ Paul Tomkins
		Paul Tomkins
		Senior Vice President and
		Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Volt Information Sciences, Inc. and will be retained by Volt Information Sciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.